Germany . DM 2.20 Mexico .. Pes. 300 Tunisia .. Din 1.375
Greece ..... Dr 80 Morocco .. Dh 6.00 Turkey .... L 350
Hong Kong . HK$ 12 Netherlands . Fl 2.75 U.A.E. .... Dh 6.50
India .... Rup. 15 Norway .. Nkr. 7.00 U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,056 Monday October 13 1986 D 8523 B

Deng's long march to change in China, Page 14

World news

Opec pact likely to be extended

The Organisation of Petroleum Exporting Countries' interim pact on production sharing is likely to be extended, in a revised form, until the end of the year.

Delegates at the Opec conference in Geneva expressed optimism about eventual agreement as the ministerial meeting entered its second week.

The deadlock over the demands from Kuwait and two other members for increased allocations, and Arab producers' insistence on a long-term quota redistribution deal, remained to be broken. Page 2

Iraq attacks refinery

Iraq said its warplanes attacked an oil refinery and chemical and weapons plants at the major Iranian cities of Shiraz and Isfahan following an Iranian assault on oil installations in northern Iraq. Page 2

Sudan food airlift

Two aircraft chartered by Western countries and relief agencies left Khartoum, Sudan, with relief supplies for people in the south of the country. The Sudanese Government said it would use state-owned aircraft to fly food to the area.

Township deaths

Two men were burned to death in weekend political violence in the black townships of Kwazekele and Soweto, the South African Bureau for Information reported.

Protest ship seized

An Icelandic gunboat crew seized a Greenpeace protest ship as it tried to sail into Reykjavik harbour during the US-Soviet talks.

Eight Tamils killed

Eight Tamil separatist guerrillas and three security men were killed when rebels attacked a foot patrol in Sri Lanka's north western Mannar district.

Italy answers Libya

The Italian Government complained to Libya about the "absurd" verbal attack on Italy by Colonel Gadaffi in which he said that "every type of operation" would be launched against the country if it was used by the US to stage an attack on Libya.

Space policy plea

West German Foreign Minister Mr Hans Dietrich Genscher made a powerful call for a more positive national space policy, including participation by Bonn in the French project to build the Hermes space aircraft. Page 2

Dhaka bombing

At least two people were killed and 55 wounded in bomb attacks in Dhaka as political rivalries sharpened ahead of presidential elections to be held in Bangladesh on Wednesday.

Summit boycott

Portugal will boycott the EEC-Asean foreign ministers' summit in the Indonesian capital Jakarta because Portugal has had no diplomatic links with Indonesia since 1975. Page 5

Philippine charter

A special Philippine commission approved a new constitution expected to legitimise the government set up by President Corazon Aquino eight months ago. Page 5

Barricades down

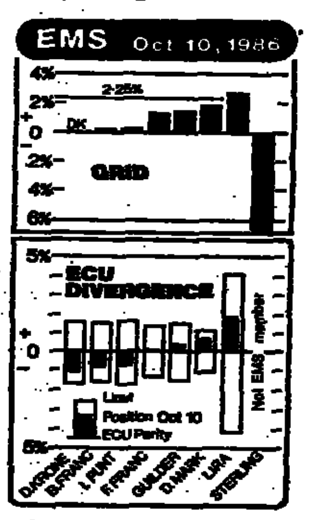
Syrian observers supervised removal of barricades at a refugee camp in south Lebanon under a plan agreed in Damascus to halt fighting between Palestinians and Shi'ite Moslem militiamen.

Business summary

Fermenta criticised over US unit sale

MONTEDISON, Italian chemicals group which has been trying for several months to negotiate a takeover of Fermenta, Swedish chemicals and biotechnology company, has protested against last week's sale of Fermenta's agrochemicals operations to Monsanto of the US. Page 17

EUROPEAN Monetary System: Attention focused on the performance of the US dollar last week, following repeated intervention by several European central banks. The support given kept the US unit steady against the D-Mark, and effectively prevented a build-up of pressure on the weaker members of the system. The Danish krone remained the weakest member, but was trading comfortably at 52 per cent of its maximum divergence.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

MANVILLE, US fibre glass, forest products and speciality products group which has been operating under the Chapter 11 bankruptcy code since August 1982, has reached agreement with five more insurance groups for payments totalling more than $45m. Page 19

IBM, largest US computer manufacturer, has increased the prices of its large mainstream computers on the UK market by up to 6 per cent. Continental customers have exploited the recent fall in sterling by buying in Britain. Page 19

MALAYAN BANKING, Malaysia's largest bank, has denied it had incurred heavy losses as a result of its international operation and reported that for the year ending in June, the group made a profit of ringgit 52m ($20m). Page 19

MOODY'S, US credit rating agency, has lowered the debt and preferred stock ratings of Manufacturers Hanover Corp, holding company for the fourth largest US banking group. Page 19

SWEDEN'S economy will grow by only 1.5 per cent next year, its national institute of economic research forecast. Page 2

ADVANCED MICRO Devices, US Silicon Valley chip maker, has made 500 workers redundant, ending its 10-year record of full employment. It was forced to take the action because of large losses. Page 19

PERSTORP, Swedish speciality chemicals and plastics group, reported a 4.2 per cent increase in profits for the financial year ending on August 31 in line with the company's forecast. Page 17

CANADA has begun issuing short-terms promissory notes in US dollars as an alternative to bank credit lines to support foreign exchange reserves. Page 19

SOVIET industrial output was up 5.6 per cent in September compared with a year before with productivity improving by 5.3 per cent.

CHINA announced new regulations aimed at attracting foreign investment and technology. Page 5

Reagan, Gorbachev fail to agree over Star Wars

US-Soviet talks break down

BY STEWART FLEMING, AND PATRICK COCKBURN IN REYKJAVIK

THE SUMMIT meeting in Reykjavik yesterday turned into a major setback for East-West relations. After 11½ hours of talks US President Ronald Reagan and the Soviet leader Mr Mikhail Gorbachev failed to reach any arms control agreement because of irreconcilable differences over the future of President Reagan's controversial Strategic Defence Initiative (SDI).

The failure of the summit threatens to develop into a major political setback for the US President who had been warned by some of his closest advisers not to allow himself to be drawn into a summit at this stage. Much, of course, will depend on whether he or Mr Gorbachev win the war of words that has already begun.

A grim-faced Mr George Shultz, the US Secretary of State, told a stunned White House press corps shortly after the meeting between Mr Reagan and Mr Gorbachev broke up that the two leaders had been on the brink of an historic breakthrough in arms control but that finally "we were unable to reach any agreement."

He could not say whether the arms talks would now resume in Geneva. When asked about the prospects for a full summit meeting in Washington he conceded: "I do not see any prospect of that."

He also claimed that the negotiators had made "a tremendous amount of headway" on issues of space defence involving the anti-ballistic missile treaty. He said that it was because of Mr Reagan's SDI ballistic-missile defence plan that progress had been possible.

But Mr Shultz went on to charge that "the Soviet Union's objective (in the talks) was to kill SDI" by proposing a revision of the 1972 ABM treaty which would have limited SDI research to the laboratory.

Mr Reagan left for Washington within two hours of the end of his fourth and final session with Mr Gorbachev. He can be sure that his critics on both the right and the left will charge that he committed a major political blunder two weeks ago in accepting Mr Gorbachev's proposal that they should meet here on such short notice.

Mr Gorbachev said last night that talks with the US on a reduction in all nuclear weapons had come close to success but had failed because of President Reagan's insistence on the development and testing of the Star Wars strategic defence initiative.

Mr Gorbachev said that the Soviet Union had put forward radical new proposals in all fields.

He said: "The Americans came to the meeting empty-handed, with mothballed proposals." He added: "We were very close to historic results."

Mr Gorbachev said he had proposed 50 per cent reductions in Soviet and US intercontinental ballistic missiles, missiles on board submarines and nuclear weapons carried by strategic bombers.

He said that the Soviet Union had made a major concession by not counting forward-based nuclear systems – such as nuclear bombs carried by F111 fighter bombers – and medium-range missiles.

He said that the Soviet Union had also decided "to set aside all questions of British and French nuclear missiles." This meant that Moscow had abandoned for the time being its previous insistence that neither British nor French nuclear arsenals could be strengthened and modernised if a deal was to be reached with the US.

On intermediate missiles Mr Gorbachev said that he had proposed that all American and Soviet missiles of this range be eliminated put the US had wanted to keep some missiles in Europe.

Mr Gorbachev, chopping the air with his hands to emphasise the size of the cuts he had proposed in nuclear arsenals, said that the Soviet Union had wanted careful verification that both sides would keep to any programme of reductions.

He said that the strengthening of the anti-ballistic missile treaty of 1972 was also essential. Both sides would have to agree not to break out of the treaty for 10 years. He said that this was in the interests of both sides.

Mr Gorbachev repeatedly emphasised that the Soviet Union would only consider significant reductions in its nuclear arsenals if it was given foolproof guarantees that the US was not developing an anti-ballistic missile system. "This is where the real fight began," he said.

The President had insisted on retaining the right to test the strategic defence initiative, Mr Gorbachev said, and this was wholly unacceptable. "It would have taken a madman to accept that," he said.

However, Mr Shultz stressed that the US for its part, would return to the negotiating table in Geneva – but he was unable to say whether the Russians would be there.

The breakdown came after a weekend during which it emerged that the character of the meeting was rapidly changing from the low-key informal session aimed at preparing a Washington summit which both sides had suggested would take place. Instead, the talks took on the character of a full-blown summit when the two leaders agreed on Saturday night to set up two detailed working parties of senior officials – one on arms control and one on topics such as human rights and regional tension.

It emerged yesterday morning that the two groups had worked from about 8pm on Saturday until dawn yesterday.

Last night Mr Shultz claimed that they had reached an extremely important "potential agreement" including "a reduction of strategic missiles by half and arrangements to deal effectively" with the problem of intermediate nuclear weap-

Continued on Page 16

The Reykjavik meeting, Page 3

El Salvador earthquake death toll may rise to over 2000

By Our Foreign Staff

EL SALVADOR'S death toll, as a result of Friday's earthquake yesterday looked set to rise to more than 2,000 while relief workers dug frantically through the wreckage of several major buildings in San Salvador and aftershocks continued to rock the country's capital.

The International Red Cross yesterday oficially confirmed 350 dead, 8,800 injured, and 200,000 made potentially homeless but local relief workers were estimating the toll as much higher.

"There are six large buildings which collapsed and, counting on an average of 300 people in each of them, that makes 1,800 dead, not including casualties in other parts of the city," Dr. Mario Rodolfo Lopez, the leader of a Guatemalan team of rescue workers, told Reuters news agency.

President Jose Napoleon Duarte, whose conservative civilian Government has been fighting a protracted civil war against left-wing guerrillas, said earlier that 300 people had died and 6,500 had been injured. But he said that the figure was likely to rise as many more victims were still buried under the wreckage of several major buildings.

Relief supplies continued to pour from all over the world into this devastated capital of 1m people where four major hospitals and the US embassy were among the buildings damaged.

In the Icelandic capital of Reykjavik, White House spokesman Mr Larry Speakes said President Reagan had interrupted preparations for his meeting with Soviet leader Mikhail Gorbachev to order an emergency airlift of $25,000 worth of aid.

The swift US reaction underlined Washington's concern about the potential political ramifications of the earthquake at this particularly sensitive time in Central America. The earthquake has come as a devastating blow to a country already troubled by political violence and economic problems.

President Duarte, whose regime has been linked to recent supply lines to the Contra rebels fighting in Nicaragua, this weekend rejected a truce to the seven-year civil war offered by left-wing guerrillas.

"This (earthquake) is much more important than declarations from these terrorists," a defiant President said. He accused his opponents of "trickery," and of using the disaster to regroup their forces.

From late on Saturday night some parts of the capital were beginning a slow return to normality

Bonn braced for new campaign of terrorism

BY DAVID MARSH IN BONN

WEST GERMANY was grappling yesterday with the prospect of a grim new period of alarm and uncertainty over terrorism, which for the first time in more than a decade of violence has struck down a senior Bonn political figure.

The cold-blooded murder in a Bonn suburb late on Friday of Mr Gerold von Braunmuehl, political director in the Foreign Ministry, robbed the Government of one of its most accomplished foreign policy practitioners. It has opened up gaping doubts over the state's ability to defend itself from an apparently escalating terrorist challenge.

As Mr Helmut Kohl, the Chancellor, and other political leaders expressed outrage over the assassination, security experts voiced concern that the killers, from the long-hunted revolutionary group, the Red Army Faction (RAF), could strike again against politicians during the campaign leading to the general elections in January.

Underlining the chilling link with West Germany's past series of terrorist nightmares in the 1970s, police investigators yesterday concluded that one of the murder weapons used against Mr von Braunmuehl was almost certainly the same Smith and Wesson revolver used to kill Mr Hanns-Martin Schleyer, the former employers' association president, in 1977.

The attack, clearly meticulously planned, took place as Mr von Braunmuehl stepped out of a taxi to enter his home after driving from the Foreign Ministry. His two masked assassins fled in a car, leaving behind a six-page typescript document bearing the now gruesomely familiar RAF symbol of machine gun and star. It said that their victim had been selected for elimination because of his "key role ... in the imperialistic system."

According to some reports in Bonn yesterday, the RAF may have decided to extend its threat to moderate politicians and men from the grey world of officialdom. Previous victims of the terrorists – Mr Karl Heinz Beckurts, the Siemens research director, and his chauffeur, killed in July and Mr Ernst Zimmermann, chairman of the MTU aeroengine company, shot in February last year – had been connected with the German "military-industrial complex."

Additionally, the RAF in the past 18 months has killed a US soldier on service in Germany, and bombed US and German military installations.

By striking at the Foreign Ministry, the RAF has hit a relatively "soft" target.

Mr Hans Dietrich Genscher, the Foreign Minister, who had worked closely with Mr von Braunmuehl for most of his 12 years at the ministry, came out against formal German backing for the US Strategic Defence Initiative – Star Wars – and has also adopted a conspicuously moderate policy on nuclear power.

Mr Kurt Rebmann, the West German public prosecutor, who recently warned that the RAF could take aim at "symbolic figures" and politicians during the election campaign, said at the weekend that West Germany must not over-react to the latest attack by introducing exaggerated security checks.

Officials said security precautions had already been intensified to guard politicians and industrial leaders considered to be prime terrorist targets.

Bonn calls for role in French space project, Page 2

Greens win voice in Bavarian parliament

BY OUR BONN CORRESPONDENT

WEST GERMANY'S anti-nuclear Green ecology party last night won a place in the right wing dominated fortress of the Bavarian state (Land) parliament in an election resulting in losses for the main opposition Social Democratic party (SPD).

Polling across the southern state of Bavaria – West Germany's largest Land – was widely seen as setting the tone for the general elections in January.

Mr Franz Josef Strauss's conservative Christian Socialist Party (CSU) also showed losses but, as expected, kept its absolute majority in the Munich parliament.

The Bavarian election campaign has been heavily dominated by controversy over the planned nuclear reprocessing plant at Wackersdorf eastern Bavaria. This has become the focal point of generally increased German opposition to nuclear power in the wake of the Chernobyl reactor accident in the Soviet Union in April.

In spite of signs that the anti-nuclear movement was failing to make as much impact as hoped on traditionally conservative voters in Germany's "Deep South", the Greens appeared to have won considerable support. But they also split the opposition by taking votes above all away from the SPD.

Mr Strauss, comfortably returned for his third spell as Bavarian Prime Minister, may see his chances enhanced of a stronger influence over the Bonn coalition Government after the January elections.

The liberal Free Democratic party (FDP), junior partner in the Bonn coalition with the Christian Democrats (CDU) and the allied CSU, suffered a major setback by again not gathering sufficient votes for a place in the Munich assembly.

Early computer projections from the West German television networks last night gave the CSU nearly 56 per cent of the vote, down from 58.3 per cent at the last state election in 1982 and the bottom end of Mr Strauss's pre-election target.

The SPD, which had hoped for at least 35 per cent of the vote, recorded 27.4 per cent, according to the computer estimates, down from 31.9 per cent four years ago. Mr Karl Heinz Hiersemann, the SPD's main candidate in the Bavarian elections, said the result was "disappointing."

The Greens, passing comfortably above the 5 per cent level needed to

Continued on Page 16

Eurotunnel on course to raise £200m through share placings

BY ANDREW TAYLOR IN LONDON

EUROTUNNEL, the Anglo-French Channel tunnel consortium, appears to be well on the way to raising the £200m ($285m) it is seeking from institutional investors in a worldwide share placing to be concluded on October 24.

It is planned that Britain and France will each raise £70m. The remaining £60m will be split, in roughly three equal tranches, between Japan, the US and the rest of the world.

The consortium, following successful presentations in New York, other East Coast US cities, and Tokyo, is now confident of achieving its sales targets in those two countries.

Elsewhere, outside Britain and France, there has been a steady stream of investor interest, mostly from other European countries but also, notably, from Canada and the Middle East, say Eurotunnel's British brokers, Scrimgeour Vickers and County Securities.

In the tightly-knit financial community of France, where Banque Indosuez, Credit Lyonnais and Banque Nationale de Paris are handling the issue, the placing has been a virtual *fait accompli* for several months.

In Britain, Eurotunnel has begun a series of key presentations and individual meetings with potential investors. "These appear to be going well and we should have no problem in meeting our target," Mr Richard Redmayne, a director of County Securities, said yesterday.

So far Eurotunnel has seen individually about a third of the 30 British institutions which previously had agreed in principle to invest in the project. The support of the institutions was a key factor in the consortium winning, in January, the mandate to build the tunnel from the British and French governments.

Mr Redmayne said: "Of the institutions which said they were prepared to support the scheme only one of those seen so far has changed its mind – and that is because circumstances affecting the management of the fund have changed."

Eurotunnel is arranging individual meetings with a further 15 institutions in addition to the 30 already identified as potential investors. Separate presentations to about 50 institutions have also been held in London and Edinburgh. A third is planned to take place in London tomorrow.

Around two-thirds of investors who have said they are prepared to support the project are insurance companies. Pension funds have generally been more reluctant about investing in a scheme which is not due to pay any dividends until after 1993.

Outside the UK and France, the strongest investment interest has come from Japan, where last week a Eurotunnel team, headed by Mr Michael Julien, deputy chief executive and former group finance director of Midland Bank, made a presentation to more than 60 Japanese investment institutions.

"The feeling was that we could achieve our sales target of around £20m to £25m several times over to Japanese institutions if we wanted to," Mr Redmayne said.

Japanese banks are also heavily involved in the international banking consortium which last month signed agreements committing the banks in principle to providing Eurotunnel with up to £5bn in loans and standby credits.

CONTENTS

International 2–5
Companies 17, 19
UK 8–10
Companies 20

Arts – Reviews 13
– World Guide 13
Construction 26
Crossword 21
Currencies 30

Editorial comment 14
Eurobonds 17
Financial Futures 30
Intern. Capital Markets 17, 19
Letters 15
Lex 16
Lombard 15
Management 7
Men and Matters 14
Money Markets 30
Stock markets – Bourses 27
– Wall Street . 27–29
– London .. 24, 25, 27
Unit Trusts 21–23
Weather 16

THE MONDAY PAGE

INTERVIEW

Michael Prowse talks with Martin Weitzman, the US advocate of profit-sharing, Page 6

China: UK Queen's visit puts her commercial value to test 5
Management: Mannesmann poised for technological leap 7
Editorial comment: no way to open markets; UK house prices 14
France: steel industry struggle to hold its own 15
US: the tough teams behind corporate raids 16
Lex: cracks in Opec's ceiling; City of London property 16
Survey:
Management consultancy .. Section III

EEC chiefs set to discuss money markets

BY QUENTIN PEEL IN BRUSSELS

FINANCE MINISTERS of the EEC have an opportunity today to review the upheaval in the international currency markets caused by the weakness of both the dollar and sterling.

Their first council meeting since the informal gathering at Gleneagles, Scotland, which resulted in agreement to co-ordinate intervention to stabilise the exchange rates in the European Monetary System, is likely to be dominated by issues outside the formal agenda, although including wide-ranging talks on the problem of soaring EEC farm spending.

Mr Nigel Lawson, the British Chancellor of the Exchequer currently in the chair, could well face renewed pressure to bring sterling within the exchange rate mechanism of the EMS — although it is now recognised by his colleagues that it is rather Mrs Margaret Thatcher, the British Prime Minister, who still needs persuading.

The Chancellor will be seeking to get some agreement among the Twelve on a single European candidate to succeed Mr Jacques de Larosiere as director-general of the International Monetary Fund.

The front-runner for that job remains Mr Onno Ruding, the Dutch Finance Minister, although Mr Michel Camdessus, the governor of the Banque de France, is a strong alternative.

There was still no sign at the weekend that a consensus on the succession had been reached, even among the leading EEC countries. West Germany has tried and apparently failed to find its own candidate and might be expected, like Britain, to back Mr Ruding as a strict budget disciplinarian.

France, on the other hand, has been campaigning vigorously for Mr Camdessus, who has an impressive track record as the former director of the French Treasury and leading light in the Paris Club of government lenders to the Third World.

The problems of the currency market are not officially on any agenda, formal or informal, but the ministers will be hard put to avoid a serious discussion of them.

Apart from the particular problems of defending sterling outside the exchange rate mechanism of the EMS, there are growing French concerns about the stability of the system in the light of the Deutsche Mark's strength against the dollar.

Both at Gleneagles and at Washington, French representatives argued forcefully for more moves for domestic demand stimulation from Bonn, if the EMS is to avoid another currency realignment.

The consensus in Brussels remains that the ministers and their central bank governors will seek to maintain current parities for as long as possible — in the knowledge that Bonn will resist any move to revalue the Deutsche Mark before next January's elections.

As for sterling, Brussels officials are virtually unanimous that the present exchange rate of around DM 2.85 represents a golden opportunity for the currency to become a full participant in the EMS at an attractive price for UK exports to the rest of the Community.

They see two continuing problems, however. The first is that the cost of stabilising the currency within the limits of the exchange rate mechanism of the EMS could be high in terms of joint central bank intervention. Entry at a time of relative currency stability would be preferable from that point of view.

The second is the political view that Mrs Thatcher will clearly not wish to be seen to be running for cover into the arms of her European partners, to seek their assistance in protecting sterling, leaving the domestic impression that her government has failed on its own.

Nigel Lawson: seeking agreement

Genscher calls for Bonn role in French Hermes space project

BY DAVID MARSH IN BONN

A POWERFUL call for a stronger West German space policy, including participation by Bonn in the much-discussed French project to build the Hermes space aeroplane, was made yesterday by Mr Hans Dietrich Genscher, the West German Foreign Minister.

Mr Genscher's plea for a united European space transport strategy to make the continent independent of the superpowers is timed to influence a crucial series of space policy decisions in Bonn due in the next fortnight.

His argument that West Germany must boost its commitment to space, not only for satellite communications and futuristic space factory purposes, but also to explore new energy resources, is intended as a shot across the bows of Mr Gerhard Stoltenberg, the Finance Minister.

Mr Stoltenberg's policies of budgetary rigour have been the main influence holding up a firm German commitment to take part in Hermes, in spite of strong pressure from the French government in the past two years.

Mr Genscher's vision of the future in space, set out yesterday in the Welt am Sonntag newspaper, is also being propounded to win a higher profile for Mr Genscher's liberal Free Democratic Party (FDP) ahead of the general elections in January.

The FDP, the junior partner in the Bonn coalition, has lately shown signs of losing popularity in the polls.

Officials close to Mr Genscher who claim that Mr Stoltenberg's budgetary conservatism undermines the coalition's image of trying to boost high technology, are calling on Mr Helmut Kohl, the Chancellor, to settle the Hermes debate in Mr Genscher's favour. "It is time that Kohl gave the casting vote," said one official at the weekend.

The Cabinet is likely to make up its mind this month, probably on October 22, on whether to vote funds for the preparatory stages of Hermes.

Opec likely to extend interim pact on output

BY RICHARD JOHNS IN GENEVA

AN EXTENSION of the Organisation of Petroleum Exporting Countries' interim pact on production sharing in a revised form until the end of the year seemed last night to be the likely outcome of its conference in Geneva.

Delegates expressed optimism at the weekend about eventual agreement as the ministerial meeting entered its second week at a leisurely pace. The deadlock remained.

The deadlock arises from the demand of Kuwait and two minor members, Ecuador and Gabon, for increased allocations after the expiry of the present accord at the end of this month and also the continued insistence of the Arab producers of the Gulf on a long-term deal in Geneva on redistribution of quotas even if it is not implemented until next year.

Sheikh Ali Khalifa al Sabah, the Kuwaiti Oil Minister, has let it be known that the conference will have to continue until agreement is reached.

Members are under no illusions, however that demand for Opec crude will be much higher in November and December than the current agreed ceiling of 16.8m barrels a day, which was collectively respected in September despite quota breaches, most notably by the United Arab Emirates.

At the same time, no country will assent to a lower proportional share under any revised pact. Moreover most delegations believe an agreement on long-term distribution of quotas is impossible this month. There has been talk of the need for officials to meet throughout November to lay a basis for consensus in December.

Kuwait's evident assumption is that it and Ecuador and Gabon can be accommodated by an increase in the ceiling.

But the basis for this thinking apparently is that higher market shares for them should be made possible by a continued shortfall in Iran's exports as a result of intense Iraqi military pressure on its terminal at Kharg Island and restrictions on the flow of Iraqi crude through Saudi Arabia's trans-peninsula pipeline as a result of the expansion of its capacity.

Yet obtaining agreement for this presents an enormous challenge which has not been met and might prove impossible to present in a communique of the kind required to assure the market.

Iraq is understood to have informed its customers that the oil volume passing through the Petroline facility will be cut by 70 per cent in November and December from 370,000 to 380,000 b/d to about 110,000 b/d in November and December.

Its export capacity may be reduced further by any damage inflicted by the Iranians and their Kurdish allies on oil installations at Kirkuk.

No one in Geneva sees how Kuwait could back down from its public negotiating stance which has been toughened by the UAE's quota violation of 350,000 b/d over its 950,000 b/d entitlement and sales last month of 132,000 b/d from stocks by Venezuela.

Sheikh Ali has revealed that in retaliation against Venezuela, Kuwait has formally boosted its exports by 6m barrels from inventories, the equivalent of 200,000 b/d over a month in addition to its 900,000 b/d allocation. Its wrath has been directed at Venezuela rather than the UAE, a fellow member of the Gulf Co-operation Council.

Opec's committee of technical experts completed long talks at the weekend on the "parameters" to be used in deciding quotas. They reached general agreement on seven out of at least 22 criteria proposed.

They were oil reserves, production capacity, historic market share, cost of output, internal consumption, population and dependence on petroleum for foreign exchange earnings. These recommendations will be submitted today to the ministerial committee made up of the chief delegates of Nigeria, Indonesia and the UAE.

Iran attacks oil terminal as Gulf War intensifies

BY TONY WALKER IN CAIRO

ACTIVITY in the Gulf War intensified over the weekend with strikes and counter-strikes against important oil installations amid indications that Iran is increasing pressure on Iraq in advance of a possible new offensive.

Iran claimed on Saturday it had destroyed much of the main Iraqi northern oil terminal at Kirkuk in a daring commando raid in which Iranian revolutionary guards linked up with local Kurdish rebels.

Iraq announced yesterday it had attacked an oil refinery and chemical and weapons plants in the large Iranian cities of Shiraz and Isfahan, leaving the targets ablaze.

Earlier, Iraq denied Iran's claim that it had destroyed much of the Kirkuk refinery, a vital link for Iraqi oil exports through the Turkish pipeline.

Mr Latiff Nassif al-Jassem, Iraq's Information Minister, said, "*Our oil installations in Kirkuk are intact and surrounded by men whose eyes never sleep while watching and protecting them.*" Iran said yesterday that its revolutionary guards in co-operation with Kurdish guerrillas were active deep inside northern Iraq and had inflicted heavy casualties on Iraqi forces.

Meanwhile, Ali Akhbar Hashemi Rafsanjani, Iran's powerful parliamentary Speaker, linked the raid against the Kirkuk refinery with the current Organisation of Petroleum Exporting Countries' (Opec) meeting in Geneva.

Iraq is seeking an increase in its Opec quota to match that of Iran which stands at 2.3m barrels a day. Teheran is bitterly opposed to an increase in the Iraqi quota because of the likely effect on an already weak market.

If Iran has inflicted serious damage on the Kirkuk refinery, which accounts for some 300,000 barrels a day of refined product, making it one of Iraq's major oil installations, it would be a serious setback for the Iraqis.

Swedish economy 'will expand only 1.5% in 1987'

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH economy will grow by only 1.5 per cent next year, according to the National Institute of Economic Research.

With wage costs rising faster than in important competing countries, Swedish companies are expected to lose market share both at home and abroad.

The institute, one of the most important economic forecasting institutions in Sweden, has assumed that wage costs will rise by about 5.5 per cent on average next year after a jump of 8 per cent in 1986.

Its forecasts come during one of the most serious industrial conflicts in the public sector, in which civil servants and local authority workers are seeking pay parity with the private sector.

The Government has stubbornly resisted making any settlement which includes such a guarantee, but the institute's forecasts for 1986 show that wage increases, most crucially including wage drift, are expected to be far higher than those nominally agreed in the private sector this spring.

So far, about 800,000 public sector workers are involved in the conflict with at least 23,000 on strike or about to begin strike action and the rest involved in an overtime ban.

The institute says production increases will tail off next year and that imports will rise by more than 5 per cent in volume, while exports will rise by less than 2 per cent.

The current account of the balance of payments is expected to remain positive with a surplus of SKr 5.1 bn but smaller than this year's expected surplus of SKr 10.4 bn.

The inflation rate could be held at about 3.5 per cent but this will still be much higher than in the main industrial countries.

The institute says the fall in oil prices has given the economy a reprieve but warns that costs must be brought down to international levels and that increased industrial investment is needed if Sweden is not to fall into deficit on the current account again.

Turkey orders price rises

BY DAVID BARCHARD IN ANKARA

THE TURKISH Government has ordered price increases of between 30 per cent and 50 per cent on state monopoly products and increased surcharges on imports of "luxury" goods, including consumer electronics products, in an attempt to cool down the economy.

The increase in surcharges appears to be a signal that the Government is worried about the trade deficit, which has been widening steadily this year.

The surcharges have been criticised by the EEC and the IMF. The Government argued that they were only temporary.

Robert Mauthner looks at the background theme to the talks

Key issue that led to dead end

THE SUMMIT foundered on one key issue: the Strategic Defence Initiative that remains the keystone of the Reagan Administration's defence policy.

The SDI programme, known more often as "Star Wars," is bitterly opposed by the Russians who sought during the summit to persuade the United States to agree to a change in the 1972 Anti-Ballistic Missile Treaty which would have confined all research development and testing of anti-missile weapons to the laboratory. The attempt failed and left Mr Georgi Arbatov, a senior Kremlin official that the continued insistence on Star Wars had driven the arms control process to a "dead end."

The Soviet Union insists that the space-based defence system will inevitably lead to the development of a new generation of nuclear weapons whatever the non-nuclear claims made for it by the US.

American officials countered during the talks and in briefings afterwards that the SDI programme was essential to the US defence programme and could not be halted.

In the end this issue dominated all others, but not before there had been some hours of talks on human rights and on Soviet demands for a total ban on nuclear testing. For Moscow such a ban is very closely linked to the fear of SDI, but the US has argued that as long as nuclear weapons exist they must be tested and that Washington would only be prepared to consider a comprehensive test ban treaty after agreement on a wide-ranging limitation of nuclear arms.

The other main US demand has been that any test ban must be fully verifiable, with on-site inspections in each other's territory. The Russians have replied that there is no reason for using the verification issue as an obstacle to a moratorium on nuclear explosions.

If the US agreed to stop all nuclear tests on a mutual basis, verification could be ensured by national, as well as international technical means and procedures, including on-site inspections, the Russians say.

A small start towards a verification system was made with the agreement in May this year between the Soviet Academy of Sciences and a US private scientific group, the Natural Resources Defence Council.

The two organisations agreed to install highly sensitive seismic detectors near US and Soviet nuclear test sites to demonstrate the viability of modern detection systems.

Whatever the scientific and political justifications for Washington's opposition to an early comprehensive test ban treaty, President Reagan has come under increasing international and domestic pressure to resume negotiations

Resolutions were passed recently by both Houses of Congress urging a resumption of test ban talks and in August the House of Representatives voted by a large majority in favour of a motion to restrict funds for US tests of more than one kiloton in yield for one year from January 1 1987, provided the Soviet Union did not resume its testing programme.

It was mainly in response to the need to reach an accommodation with Congress that President Reagan told Mr Gorbachev that if the Soviet Union agreed to "essential verification procedures," he would ask the Senate to ratify the 1974 Threshold Test Ban Treaty and the Peaceful Nuclear Explosions Treaty.

News blackout puts Raisa in limelight

WHITE HOUSE officials have been quietly gnawing on their fingernails in frustration as they have watched Soviet leader Mikhail Gorbachev's elegent wife Raisa help to ensure that a Soviet media blitz has swamped the news blackout both sides had supposedly agreed would prevail during the summit meeting.

Raisa's presence here caught the White House on the hop. It was not the sort of trick Mr Bob Regan, the president's Chief of Staff, was prepared for. "This was never the idea," said one official plaintively.

Swinging around Reykjavik in a ginat ZIL limousine the charismatic Mrs Gorbachev is a living symbol of the "new" Russia which Soviet spokesmen here are saying is emerging as a result of the economic social and political reform now being undertaken.

She is not slow either to seize the opportunity to drive home to the attendant media the Soviet propaganda message.

"I believe that these discussions between the two will make the world safer for the youth," she told students at a teachers' training school who asked about the summit meeting between President Reagan and her husband.

"People all over the world are excited to hear the results of the meeting. They must come up with peace," she added in an apparently off-the-cuff remark which fitted neatly into the strategy of Soviet officials, who had been driving up expectations.

Half way through the gruelling schedule and public appearances which took up virtually the whole of her first full day in Reykjavik, she stopped on the steps of the Iceland Parliament building to reply to questions in Russian from a female American reporter.


Raisa Gorbachev: 'It's romantic'

Had her life changed much since her husband became secretary general? "I have stopped teaching but I do not forget my scientific interests," she said.

Did Mrs Gorbachev mind being lodged on the Russian cruise ship in Reykjavik harbour which is the general secretary's headquarters? "No, it's romantic," she quickly retorted.

Even the security around her lacks the heavy handedness which one might expect. Indulgent guards allowed reporters to within a few feet to ask questions and take photographs,

Not that Mrs Gorbachev was all sweetness and light. Asked why she thought Mrs Reagan was not in Iceland she replied: "Perhaps she has something else to do—maybe she isn't well."

If the Washington summit comes off Mrs Reagan will have to be on top form.

Stewart Fleming

Make-up of US negotiating team gives little hint of policy direction

WHEN White House spokesman Mr Larry Speakes announced on Saturday that two working groups had been set up by President Reagan and Mr Mikhail Gorbachev, the Soviet leader, to negotiate details in key areas, reporters immediately began to press him for the names of the officials who would be in each group.

Knowing who among the small number of top officials travelling with the president was in each working party was important information — the White House equivalent of Kremlinology—for it could give a hint of the direction in which Washington was moving.

Mr Speakes, however, was not too forthcoming. The working group to discuss arms control would be headed on the American side by Mr Paul Nitze, he said, adding that Mrs Rozanne Ridgway would chair the American group dealing with human rights, bilateral and regional issues. No other names were revealed immediately, but although there were no surprises in who the chairpersons were, this left some important questions unanswered.

The top level of the US delegation here is made up of the President himself, Mr Don Regan, the White House Chief of Staff, Mr George Shultz, the Secretary of State, and Mr John Poindexter, the National Security Adviser, whose reputation is suffering as a result of the allegations that he was responsible for the alleged "disinformation" campaign launched against Libya in the summer.

The veteran arms control expert, Mr Nitze, the 79-year-old who was a leading opponent in the late 70s of the ultimately unratified Strategic Arms Limitation Treaty (SALT II) arms agreement, is now seen as belonging to the group in the White House who want to strike an arms control agreement with Moscow provided the terms are tough enough.

He also has expertise which has been invaluable in helping Mr Shultz get the upper hand (at least for the moment) over Pentagon opponents of arms control.

Mrs Ridgway took over as Assistant Secretary of State for European and Canadian Affairs from Mr Richard Burt—the current Ambassador to Bonn.

Some European diplomats in Washington are critical of the time she is spending on the single issue of arms control. There can be no question, however, that the quick-witted and dignified Mrs Ridgway has been a considerable asset to Mr Shultz or of the confidence he has in her abilities.

It was Mrs Ridgway who was called upon on Friday to handle the first full-scale US press conference for the several hundred journalists assembled here from around the world.

With nothing much new to say since the talks had not even begun and a news blackout was supposed to be in force, Mrs Ridgway bobbed and weaved with aplomb. She made sure that America's stated positions were put across.

As White House spokesman Mr Larry Speakes was first announcing the names of the US chairpersons of the working groups, two words were muttered around the White House briefing room — "Richard Perle."

"There is no story," Mr Speakes said delphically. That could only mean that Perle, known to all who follow arms control issues as "the Prince of Darkness" would be in the main group under Mr Nitze.

Mr Perle, Assistant Secretary of State at the Pentagon, is a man of deep intelligence with penetrating eyes and an inscrutable demeanour. He has been the most effective opponent of arms control deals

His role here appears to be that of poacher turned gamekeeper. His expertise and scepticism on arms control issues make him an invaluable asset when it comes to ensuring that Moscow does not win any tricks at the negotiating table by default.

His presence could turn out to be something of a double-edged sword however. He will know exactly where the bodies are buried and where the weak points in any agreement are

Stewart Fleming

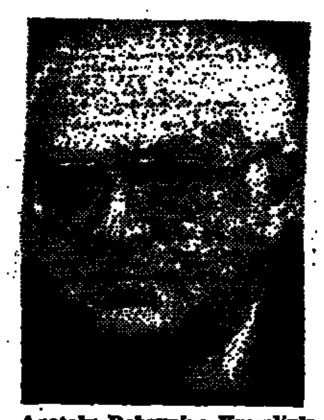
Moscow's delegation chosen from Gorbachev's best men

IN THE 18 months since Mr Mikhail Gorbachev, the Soviet leader, came to power, a dozen or more men have become known as the creators, executors, and spokesmen of a more energetic Soviet foreign policy.

Throughout the early hours of yesterday morning most of these men were locked in discussions with their US counterparts as members of two working groups: one on disarmament and the other on human rights, regional conflict and bi-lateral relations.

Mr Gorbachev has been more successful in bringing together highly competent men to conduct foreign policy than he has been in changing the Soviet economic and administrative leadership. This is explained by the legacy of President Andrei Gromyko, Foreign Minister for 28 years, and the small size and traditional prestige of the Soviet foreign service.

Not that all the men around Mr Gorbachev in Reykjavik are career diplomats. Mr Eduard Shevardnadze, the surprise successor to Mr Gromyko last year, was leader of the southern Soviet Republic of Georgia from the early 1970s but demonstrated his capacity to learn fast by successfully conducting 25 hours of negotiations in New York in September with Mr George Shultz, the US Secretary of State to defuse the Daniloff affair and set up the present mini summit.


Anatoly Dobrynin: Kremlin's leading expert on the US

Mr Antoly Dobrynin, brought back from Washington where he had been ambassador since before the Cuban missile crisis, is now Communist Party central committee secretary in charge of international relations and therefore second only to Mr Gorbachev and Mr Shevardnadze in formulating foreign policy.

The most noticable change, since the 1970s in the way the Soviet Union is attempting to stabilise and improve its relations with the US is the emphasis on putting across the Soviet point of view in front of the television cameras and to the press. From Wednesday last week in Reykjavik there were teams of Soviet experts giving press conferences and briefing in the Saga Hotel, headquarters for Soviet public relations during the summit.

A principle figure behind this change is Mr Alexander Iakovlev, the Communist Party secretary for propaganda appointed last year and apparently the architect of much of the recent liberalisation of Soviet media and literature.

At a slightly more junior level but still close to the top in the Soviet hierarchy are the men who were members of last night's working group. The group on disarmament was headed on the Soviet side by Mr Victor Karpov, a senior diplomat who has spent much of the 1980s negotiating fruitlessly with the US on arms control.

Mr Karpov's presence was expected. A greater surprise was the membership of Marshal Sergei Akhromeyev, the Soviet Chief of Staff appointed in 1984 after the sudden dismissal of his predecessor, Marshal Nikolai Ogarkov. Over the past 18 months he has constantly appeared at Press conferences in Moscow, affirming the support of the Soviet military for policies such as the moratorium on nuclear tests

A purpose of his high public profile is apparently to reassure Soviets, particularly in the military establishments who fear that Mr Gorbachev might compromise Soviet military security in negotiations.

Another slightly surprising member of the disarmament group is Dr Yevgeny Velikhov, vice president of the Soviet Academy of Sciences and Mr Gorbachev's favourite scientist. An expert on Star Wars, he has played an increasingly executive role recently, and was prominent in the aftermath of the Chernobyl disaster.

The second working group in Reykjavik, on regional conflict, human rights and bi-lateral relations, contains many names which have become prominent over the last year. Headed by Mr Alexander Besmyrtnych, a deputy Foreign Minister, its membership also includes Dr Georgi Arbatov, head of the US Institute in Moscow, Mr Yevgeny Primiakov, head of the World Economy Institute, and Mr Valentin Fallin, head of the news agency Novosti.

Patrick Cockburn

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Lionel Barber, in Washington, on controversy over 'freelance' activity in Nicaragua

An accident that was waiting to happen

SEVEN DAYS after a C-123 cargo plane and its mainly American crew was shot down in the sweltering jungle of southern Nicaragua, the full story of the bungled mission and the men behind it has yet to be revealed.

The Reagan Administration, which has encouraged private US citizens to support the guerrilla war against the leftist Sandanista Government in Nicaragua, denies any official involvement.

The incident has highlighted the fine line between "official" CIA-sponsored missions to help the Contra rebels—which are banned by US law—and those which rank as "freelance" operations. For all the welter of circumstantial evidence in the US press, a direct link between the two has yet to be proven, and unless it is, the political fall-out for the Administration is likely to be limited.

But that does not lessen the controversy surrounding the ill-fated flight and its lone survivor, the broad-shouldered ruddy-faced former marine from Wisconsin, 35-year-old Mr Eugene Hasenfus.

Mr Hasenfus, who was captured by Nicaraguan army officers last Monday, has named two alleged CIA employees who he said ran a rebel resupply network based in El Salvador. Experienced commentators say that the network resembles the CIA-financed cargo drops by Air America in south-east Asia in the late 1960s.

Hasenfus's testimony before the press in Managua was almost certainly made under duress. But the names he revealed have shed some light on the murky world of private contract airlines and independent pilots.

The key man named is Mr Max Gomez, A Cuban-American who apparently had a past association with the CIA. He has been reported by several US newspapers as being linked to Mr George Bush, the US Vice President.

Mr Bush denied this weekend that he was directing or co-ordinating any covert operations in Central America. But he admitted meeting Gomez on several occasions and described his role as "to help the Government of El Salvador put down a Marxist-led revolution." He also added, tantalisingly, that Gomez was a "patriot."

Such statements will doubtless win Mr Bush, a leading Republican candidate for the presidency, plenty of support from the right-wing. But it will only fuel suspicion that he and others in the White House know a great deal more about the "freelance" operations in Nicaragua than they are prepared to say.

This is why, in the past few days, attention has switched away from the CIA to the White House. Influential senators such as Mr David Durenberger, the Minnesota Republican who chairs the Senate Intelligence Committee, say they believe the CIA's adamant denials that it was not involved in the mission.

After all, the incident occurred just days before the CIA would be back in business in Central America with £100m in new funding, expected to be released this week when Congress completes approval of the budget for fiscal year 1987.

To jeopardise this for the sake of a few hundred rounds of ammunition and some jungle boots — the supplies carried by the C-123—looks at the very least ill-conceived.

That point is underlined by the unprofessional nature of the mission. Mr Hasenfus was the only occupant wearing a parachute, and numerous documents including flight logs, identification cards, business cards and personal papers, were on board.

Mr Hasenfus himself, by co-operating so swiftly with his captors, appeared less as a professional undercover operator than a befuddled anti-hero.

In the light of the administration's support for such private operations to help the Contras—before the organised aid comes through from Congress — the Hasenfus debacle was an accident waiting to happen.

Eugene Hasenfus: testimony to the press

Buenos Aires meetings point to better relations with Britain

BY TIM COONE IN BUENOS AIRES

HIGH LEVEL contacts made in Buenos Aires between the British Labour Party and the Argentinian Government during the past week have prepared the ground for a rapid improvement of relations between Britain and Argentina in the event of a Labour victory at the next general election.

Two Labour Front Bench spokesmen on foreign affairs, Mr George Foulkes MP and Mr Donald Anderson MP, met with Mr Jorge Sabato, the Argentine Foreign Minister, for three hours last Thursday evening in what Mr Foulkes described as a "remarkable informal meeting."

"Ways were explored as to how, in the event of a Labour government coming to power, confidence-building measures could be rapidly implemented that could lead quickly to a normalisation of relations and negotiations on the future of the Falkland Islands.

"I am more confident than ever that a solution can be found which would be acceptable to Britain and Argentina as well as to the Falkland Islanders," he said.

The two Labour MPs had been attending the 76th Inter-parliamentary Union Conference in Buenos Aires, as part of a nine-man British Parliamentary delegation from the Conservative and Labour parties.

Labour Party policy on the Falklands is to discuss the sovereignty issue with the Argentinian Government "without preconditions but also without prejudgments on the outcome of the negotiations," said Mr Foulkes.

The confidence building measures might include some form of arrangement in which Argentina would formally agree to cease hostilities and Britain would agree to discuss sovereignty and lift the 150-mile protection zone around the islands.

Conservative members of the delegation also commented favourably on their contacts

● Argentine President Raul Alfonsin told reporters yesterday he detected flexibility on the part of Britain in the dispute over the Falkland Islands, Reuter writes from Madrid.

"The basic issue is that we have been unable to get Britain to the bargaining table," he told a news conference in Madrid. "They now seem to be opening up to the idea of a dialogue on this problem."

SHIPPING REPORT

Tanker market shows dismal rates amid high stock positions

BY KEVIN BROWN IN LONDON

DISMAL rates continued in the tanker market last week, with hopes fading that increased activity before the onset of winter would lead to improvements.

Brokers said any increases in rates would probably be a slow process in view of the present high stock position and the build up of tonnage in all loading areas.

E. A. Gibson, the London shipbrokers, said around a dozen very large crude carriers (VLCCs) and ultra large crude carriers (ULCCs) were believed to be in a position to load spot cargoes, with the prospect of up to 30 being available by the end of the month.

Trading was said to be very slow for these larger vessels, and few details of fixtures were available, although an American major was reported to have fixed a 320,000 tonner for a short voyage from the Middle East Gulf to the Red Sea at Worldscale 28.

Brokers said charterers with large cargoes should have little difficulty in repeating fixtures at around this level.

In the medium sizes, a 130,000 ton cargo to the US Gulf was fixed at Worldscale 32.5, and a 100,000 ton cargo to Chittagong was fixed at Worldscale 58.5.

Trading was said to be slightly more active from Indonesia, and quite brisk from West Africa, but the number of large vessels seeking employment prevented any firming of rates, which fell to Worldscale 27.5 for 103,000 tons to Italy and Worldscale 20.5 for 200,000 ton part cargo to Taiwan.

The Mediterranean market fared no better than other loading areas, and rates continued to plummet. Worldscale 115 was paid for a cross-Mediterranean voyage for a 50,000 ton cargo.

The Caribbean market was said to have come virtually to a standstill, with only a few vessels seeking employment. The rate for vessels of 70,000 tons for normal coastwise trading was in the low Worldscale 50s.

Demand also declined on the North Sea, although Italian charterers fixed two vessels, each of 135,000 tons, at Worldscale 27.5, while the rate for the normal 80,000 tons size for the UK-Continent trip was hovering around the Worldscale 60 level.

World Economic Indicators

TRADE STATISTICS

		Aug. '86	July '86	June '86	Aug. '85
US $bn	Exports	17.404	17.707	19.070	16.584
	Imports	30.925	35.745	33.240	27.512
	Balance	−13.321	−18.038	−14.170	−10.928
UK £bn	Exports	5.470	5.990	5.826	6.105
	Imports	6.956	6.577	6.449	6.272
	Balance	−1.486	−0.588	−0.623	−0.167
Japan $bn	Exports	16.804	18.895	17.499	13.860
	Imports	9.304	10.701	10.141	10.370
	Balance	+7.500	+8.194	+7.358	+3.490
France FFrbn	Exports	71.90	74.60	75.28	56.89
	Imports	68.80	73.10	76.87	58.52
	Balance	+3.10	+1.50	−1.59	−1.63
		July '86	June '86	May '86	July '85
W. Germany DMbn	Exports	45.01	44.07	42.65	47.44
	Imports	33.41	34.57	34.33	39.77
	Balance	+11.60	+9.50	+8.32	+7.67

OVERSEAS NEWS

Fears on Japan railway sell-off

By Ian Rodger in Tokyo

A BIG upheaval last week in Japan's biggest rail trade union, Kokuro, may lead to disruption of the privatisation schedule for Japan National Railways.

The Government aims to privatise JNR, which had a record loss of Y1,848bn (£8.4bn) in the year to March 31 1986, and split it into eight companies by the end of next April. Debate on the enabling legislation began in the Diet (parilament) last week.

The privatisation has been of considerable interest to investors, not because of JNR's chronically loss-making railway businesses, but because of the planned sales of 3,300 hectares of its surplus land, much of it in prime locations.

However, it is now clear that Kokuro, the largest of 13 rail trades unions, will no longer co-operate with the privatisation plan. At the end of a turbulent two-day special convention last week, a radical executive, pledged to take a hard line against the plan, was elected.

Kokuro's 24-member executive resigned on Friday after its call for co-operation with JNR was rejected.

Then, when the radical executive was elected, some 13 dissenting local branches set up their own faction, although they stopped short of defecting.

Kokuro's old executive had decided to co-operate with JNR only at the last minute and only under extreme grassroots pressure. The other rail unions had already agreed to co-operate in return for employment guarantees or generous redundancy terms.

The Government has accepted that JNR manpower, which stood at 310,000 last year, must be reduced to 183,000.

It has been estimated that, apart from early retirements, there will need to be about 93,000 redundancies.

The Government has offered generous terms and is finding alternative employment for many.

Kokuro's members had been defecting at the rate of 10,000 a month since April out of dissatisfaction with their union's non-co-operation policy and a desire to take advantage of the Government's offers.

As a result of the defections, Kokuro now represents less than half JNR workers for the first time since its founding in 1947.

Even if Kokuro is weakened, its ability to cause disruption in the run-up to privatisation should not be underestimated. Until about 10 years ago, when a moderate leadership took control, it was one of the most militant unions in Japan and it could return to its tendancy to stage frequent strikes.

Also, there is always a potential for sabotage. JNR lines have been sabotaged three times in the past year. Three weeks ago, six commuter lines in the Tokyo area were paralysed when signalling systems were cut.

Tokyo police said they suspected leftist radicals opposed to the privatisation plan.

A majority of the newly-elected Kokuro leaders are from left wing groups associated with the Japan Socialist Party or the Japan Communist Party.

Robert Thomson in Peking assesses the likely business, political and social implications of the royal tour

Historic visit to China tests the commercial value of the Queen

HOW MUCH is the Queen worth on the China markets?

By the end of this week, British companies who have hitched projects to Her Majesty's visit will have a better idea of what royalty means to Chinese commercial cadres, and whether Britain has a "special relationship" with China.

To say the country is gripped by "Royal fever" would be an exaggeration. At best, China is running a slight temperature. That the two best selling magazines in Peking feature cover stories on the Queen and muscle-builders respectively is the most encouraging sign of street-level excitement.

Yugoslavia aside, China will be the first communist country to host the Queen, and it is likely that, in the end, the Chinese will gain far more out of the trip than the British. The visit will be an important sign to the West that China, by Royal appointment, is well down the road to international respectability.

As such, Peking is far more interested in foreign than domestic coverage of the week-long event. That is why about 250 journalists will be accompanying her and why the mass-circulation Chinese Press has carried few stories about the visit.

The average Chinese, a rural peasant with minimal education, has little idea who the Queen is. A common mistake among better educated Chinese is to confuse the Queen with Mrs Margaret Thatcher.

"Why is she coming back again?" asked one friend, who had the 1984 Thatcher visit in mind.

Trend-conscious urban youth, a tiny percentage in a population of just over 1bn, are aware of Princess Diana, and it is not unusual to see clippings of her under the glass top of a Peking office desk. In fact, the racier youth magazines have portrayed her as something of a rôle model.

Hu Yaobang, the Communist Party General-Secretary, also thinks of the Windsors as a model family. He lunched at Buckingham Palace in June and, shortly afterwards, a Chinese newspaper suggested that party members throwing banquets should emulate the "simple and economical" fare served by the Queen.

Bearing in mind the general ignorance, one diplomat mused: "I don't know what the British hope to get out of it." He said high-ranking visitor has followed high-ranking visitor through the "open door" that has become a revolving door, and the Queen's pre-eminence has been somewhat lost in the rush.

The Queen apparently knows more about China than China knows about her. The Financial Times caught up with the Press secretary, Mr Michael Shea, sometimes referred to as the

"Check the label—it's probably made in Taiwan"

"Palace Mole," in Shanghai during a recent royal reconnaissance mission. Mr Shea said Her Majesty had a good understanding of China because she was "a very well-read lady."

Deng Xiaoping, China's leader, issued a tentative invitation in August 1984 for a royal visit. A more formal invitation was delivered by Zhao Ziyang, the Chinese Premier, during his British tour in June last year. British diplomats say the Queen's presence will "set the seal" on fast-improving Sino-British relations.

The visit could only have gone ahead with the settlement of Hong Kong's future, which had clouded relations between the two countries. However, diplomats, not British, argue that the big gains in Sino-British relations were to be made immediately after the signing of the joint declaration on Hong Kong in late 1984, and that the British will get few benefits from Her Majesty being here.

> Most Chinese peasants have little idea who the Queen is. And many of the educated confuse her with Thatcher

Britain's Government is particularly looking for trade benefits—exports to China in the first half of this year were £227.6m, compared to £177.6m for the same period in 1985. Imports from China were £149.8m, compared to £164.5m in the same period last year.

An optimistic Zeng Tuobin, the Chinese Minister for Foreign Economic Relations and Trade, said yesterday that "the visit to China by British Queen Elizabeth II will have a profound historic significance in increasing the trade relationship."

The British Overseas Trade Board has attempted to take commercial advantage of the tour by organising a two-day economic co-operation seminar in Shanghai, beginning tomorrow with the first day's activities on board the royal yacht Britannia.

A businessman involved in the seminar said the rare privilege of being on the Britannia will be lost on some Chinese officials, whereas if the event took place in, say, the US, local magnates would be overwhelmed by the occasion.

A $4bn (£2.8bn) steel plant at Ningbo, near Shanghai, is the glamour project that British officials hope will do well out of the seminar. The Davy McKee engineering group has formed a consortium to build the plant, while Sir Y. K. Pao, the Hong Kong businessman, and a native of Ningbo, has been attempting to raise finance.

It is understood that Chinese officials and Davy representatives have been discussing the possibility of signing a memorandum of understanding during the visit, but the project is, as one insider put it, in its "very early days."

Other companies hoping that business will flow from the royal connection in Shanghai include Cable and Wireless, Short Brothers, Baker Perkins, Kleinwort Benson, British Telecommunications, and Rolls-Royce. Projects to be discussed range from a Shanghai sewage scheme to a thermal power plant and port development at Ningbo.

"I would like to think the seminar will make people think and buy British. And I think it will make more British companies who should be in China aware of the possibilities," one participating representative said.

But he stressed that, in the end, the two most important factors in doing business in China are "guanxi"—connections—and price. "Quite frankly, if they get a better price from a French company, they will buy from the French. The Chinese are not going to say that just because the Queen is here they will sign letters of intent."

After Shanghai, the Queen, rural China, will see the ancient terracotta warriors in the central Chinese city of Xian, and then go on to Kunming and Canton in the south. The royal couple will then sail to Hong Hong for a two-day visit.

Left-wing sources in Hong Kong suggest that Peking had reservations about the Queen travelling to Hong Kong, as her presence might "confuse" Hong Kong people about their future, which is Chinese and not British.

British officials are certain that the Queen will meet Deng Xiaoping, though the Chinese like to keep these things in doubt for security reasons. Of all Chinese, those who best appreciate the status of the Queen are the country's leaders, who have overseen the widening of a road to the Xian warriors and the renovation of her lodgings at the Diaoyutai—"fishing platform"— guest house.

The most interesting article briefing the masses about the Queen is in a glossy magazine called World Affairs Pictorial. The writer noted that the Queen is "extremely fond of horses" and "very fond of dogs."

"Except for some special occasions, her dear dog is always with her. Everyday she feeds the dog with silver forks and spoons."

Then the article tells how she was attracted to Prince Philip when she was 13: "They fell in love at first sight. She discovered that this tall, handsome, clever and capable boy was the person of her heart . . . although they no longer who is apparently keen to visit harbour the same passion they had when they were young, they care for each other with great solicitude."

Long, long march to change, Page 16

Boost for foreign investors

By Robert Thomson in Peking

CHINA HAS introduced a package of incentives, including a ceiling on salaries of Chinese staff and extended tax concessions to joint ventures, in an attempt to increase foreign investment.

The provisions, issued on Saturday by the country's State Council, will give foreign partners greater power to hire and fire staff and extend tax breaks on ventures using advanced technology and those exporting more than 70 per cent of their output.

Infrastructure development for joint ventures is also to be given higher priority and banks are supposed to give ventures loan priority.

The council said the regulations were designed to "improve the investment environment, improve product quality, and expand exports in order to generate foreign exchange."

Foreign investment fell 20 per cent in the first half of this year compared to the same period last year and Chinese officials have conceded a further fall is likely.

A big problem for foreign investors has been the lack of clarity in the investment regulations. But the council document is couched in equally ambiguous and qualified language and investors are unclear how many benefits will actually flow through to their enterprises.

In theory, the new regulabureaucratic procedures that tions should short-cut the foreign investors must follow if they have problems. Local government units are supposed to get more involved in foreign investment problem solving, so avoiding the "argument back and forth between departments that wastes time," according to the official news agency, Xinhua.

Philippines' constitution agreed by commission

A SPECIAL Philippines commission yesterday approved a new constitution expected to legitimise the revolutionary Government set up by President Corazon Aquino eight months ago, Reuter reports from Manila.

The panel voted 44—2 in favour of the constitution which will be presented to the people for approval in a plebiscite in January.

Commission members said the charter would fix presidential terms at six years and allow no re-election.

Mrs Aquino replaced Mr Ferdinand Marcos in a revolt in February. She declared a revolutionary government after tearing up the 1973 constitution introduced by Mr Marcos during his rule of nearly 20 years.

The constitution also envisages a two-chamber congress, abolished by Mr Marcos when he declared nine years of martial law in 1972.

It would allow the US to negotiate a new lease for military bases in the Philippines after the current agreement expires in 1991.

But it also includes a provision saying: "The Philippines, consistent with the national interest, adopts and pursues a policy of freedom from nuclear weapons in its territory."

In an apparent move to prevent presidential abuse of emergency powers, the constitution would limit imposition of martial law to 60 days and ban the President from abolishing congress.

The commission was appointed by Mrs Aquino and included former senators and congressmen, retired supreme court judges, Protestant ministers, Roman Catholic priests and one nun.

The commission members said they would sign the constitution and present it to Mrs Aquino at the Presidential Palace on Wednesday.

The two members who voted against the draft constitution, Mr Jose Suarez and Mr Jaime Tadeo, of the Nationalist bloc, said the document failed to consider the poor and "only strengthened elite democracy."

Portugal confirms boycott

PORTUGAL has confirmed it will boycott next week's EEC-Asean foreign ministers' summit in Jakarta, reports John Murray Brown.

Officials in Lisbon have pointed out that, since 1975, all diplomatic links with the host country, Indonesia, have been cut, following Indonesia's annexation of the former Portuguese island colony of East Timor. Portugal, which joined the EEC this year, will be represented at next week's summit by either the Netherlands or Britain. The meeting is to be chaired by Sir Geoffrey Howe, Britain's Foreign Secretary.

THE MONDAY PAGE

Prophet of shared profits

INTERVIEW

Profit-sharing, says Professor Martin Weitzman, makes workers a precious commodity. He talks to Michael Prowse.

IF YOU met Martin Weitzman at a cocktail party you might not guess he was an economics professor. His self-confidence, ready smile and dapper appearance are more suggestive of a successful lawyer than of an ivory tower academic.

You also might not guess that he favours a quite radical transformation of the capitalist system, one which he hopes would encourage companies to treat workers with some of the deference they currently reserve for their "pampered" consumers.

Weitzman, who has a chair at the Massachusetts Institute of Technology, has gained international recognition for his work on profit sharing and his claim to have found a cure for unemployment that involves neither reflation nor incomes policies.

His growing band of disciples includes Mr Nigel Lawson, the British Chancellor, who this summer used Weitzman's theories as a launch pad for a controversial green paper on profit-related pay.

In the US, colleagues praise Weitzman's ingenuity but, on the whole, reserve judgment on his work. The New York Times, however, has been less restrained, hailing his book, The Share Economy, as the most important contribution to economic thought since Keynes's General Theory.

Weitzman is currently a visiting professor at Harvard University. Occupying a rather spartan office, he seems to be taking international celebrity in his stride. He is friendly, informal and seems much younger than his 44 years. Is he disappointed that US politicians have shown absolutely no interest in his ideas?

"'Absolutely no interest' is too strong," he claims. "There has been some interest from newish, youngish Democrats. But the US is not a favourable environment because we are doing too well." With unemployment hovering around 7 per cent, job creation schemes no longer capture the popular imagination.

But he is not surprised that Europeans are more receptive. "You have a crisis," he says, referring to the UK's unemployment rate: "13 per cent is much too high."

"I'm like Keynes," he continues, "in thinking that if things go wrong, you've got to to do something about it. You can't just stand around waiting for these 13 per cent unemployed to cause a revolution or bring down national morale."

Britain, thinks Weitzman, "is more ideologically divided than most countries." As a "reformed Keynesian," his own prescription for the UK is a compromise which he fears will suit nobody: "some elements of economic expansion in tandem with basic reforms of the wage system." The latter would include strong tax incentives for profit-sharing, stronger than those so far proposed.

He is unsympathetic to those who argue that liberalisation of markets alone is sufficient to guarantee prosperity. Like Keynes, he believes in the market system but he thinks it "needs help."

"The Great Depression," he says, "is the extreme example, the one they always gag on.

He believes that economies need managing: "Nobody is now following out a pure monetarist stance and when they did things didn't work out too well."

Weitzman's sympathy with Keynesian economic philosophy may partly reflect his own personal history. He was born in extreme poverty on New York's Lower East Side.

Adopted at the age of seven, he inherited from his new parents a fear of economic malaise. Both had come of age during the Depression and "just could not find work." They became strongly Left-wing.

Weitzman now describes himself as Left of Centre—a new Democrat in the Gary Hart mould, but one who "believes in healthy levels of public goods spending: good education, good transportation and good parks." The US, he says, "definitely does not have enough of this." Even Europe, he hints, may not have enough.

With profit or revenue sharing, Weitzman is proposing a more radical modification of capitalism than is sometimes appreciated. As he stresses in The Share Economy, capitalism goes to extreme lengths to "pamper and gratify" consumers, but it treats workers rather badly. Look at the contrast, he suggests, between a car dealer's gleaming showroom and his grimy workshop.

Work is often demeaning, argues Weitzman, because of the way people are paid. Under a wage system, workers (at least in theory) are paid according to their marginal productivity: "you're paying a worker about what he contributes, therefore you don't give a damn if he leaves."

But under a revenue-sharing contract, if an extra worker is taken on, he is paid less than the value he adds to the business. Some of the extra or marginal revenue he generates is kept by the owners of the company. Employers therefore always have an incentive to hire new workers: there is a permanent excess demand for labour but one which, paradoxically, also puts downward pressure on workers' average pay—as more people are hired, labour's share of revenue is spread even more thinly.

Profit-sharing makes workers a precious commodity, claims Weitzman. If somebody threatens to walk out, you are not indifferent. You say, "gee, why do you want to leave, have a seat, have a cigar." Profit-sharing for Weitzman is not primarily a matter of giving workers increased incentives, but rather of transforming labour markets by altering the motivation of employers.

His vision of a more caring capitalism doubtless owes much to his study of alternative economic régimes. He introduces MIT students to the mysteries of capitalism, socialism, Utopianism and Marxism and in the process "raises all the big issues of social organisation."

But is Weitzman's modification of capitalism—his creation of a sovereign worker to stand alongside the sovereign consumer—really practical? Isn't there a contradiction in trying to raise the status of workers by making their pay infinitely flexible downwards?

He more or less concedes the point. "I am perhaps trying to have it both ways," he says.

And wouldn't workers realise that, under profit-sharing, the way to raise their overall pay would be to restrict employment?

"They might," Weitzman admits, "and it is conceivable that they would be successful." But he argues that blatant efforts to reduce employment would, in the US at least, run counter to all legal tradition.

Anyway, he adds, "what have you lost? If unions are that dastardly and that powerful, you're only back in the same sort of world as today."

This seems to under-estimate the risks. Full-blooded profit-sharing could turn the closed shop into the shrinking shop. As another Harvard economist puts it, the entire benefit of profit-sharing arises because "the hiring of new workers reduces the compensation of old workers." It puts workers much more directly into competition with each other than the wage system, and this seems "unlikely to bring out the good side of human nature."

Weitzman tries to draw a parallel between the goods and labour markets which really isn't valid. Washing machines are unlikely to mutiny if a new discount price is slapped on them; workers are.

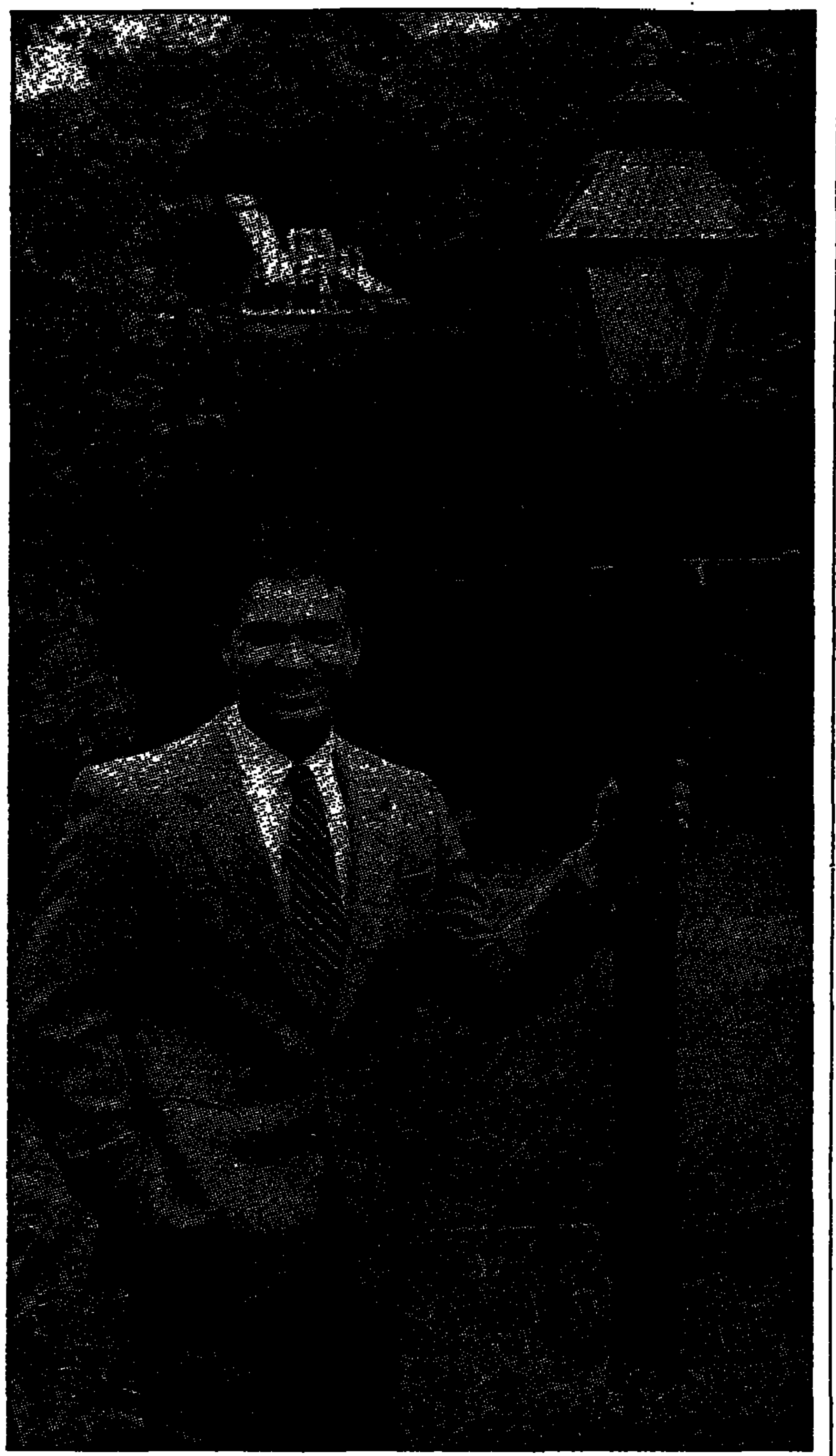
He seems curiously undecided about the significance of his own theories. In one mood, he argues that labour markets would be transformed, with firms "cruising around like vacuum cleaners on wheels, searching in nooks and crannies for extra workers."

In another, he downplays the significance of profit-sharing, arguing that "on the margin it would gradually tighten up labour markets" but that "I don't think this would lead to dramatic changes in employment, one way or the other."

In the long haul, he readily concedes, profit-sharing would have absolutely no impact on anything—it would result in the same "equilibrium" levels of inflation, growth, pay and productivity as an ordinary wage economy. This is because the terms of profit-sharing contracts are fixed only in the short run; over time they would be adjusted in response to the very same pressures which guide the evolution of a wage economy.

The hope—and it may be a pious one given labour's power of disruption—is merely that a profit-sharing economy would prove "more forgiving" in the short run; more likely to allow low inflation and low unemployment to co-exist.

Weitzman does not come across as a magician, although one suspects he knows a few good card tricks. He seems to be a diligent and humane researcher. He may not have found a miracle cure for stagflation but he has asked a pertinent question about one aspect of the capitalist system and in doing so has helped to set a new agenda for macroeconomics.



Martin Weitzman: he believes the free market system needs help

● PERSONAL FILE

1942	Born New York City.
1963	BA physics, Swarthmore, Pennsylvania.
1964	MSc operations research and statistics, Stanford
1967	PhD, Economics, Massachusetts Institute of Technology.
1967-72	Associate Professor, Yale.
1972	Associate Professor, MIT.
1974-86	Professor at MIT.
1984	Publishes The Share Economy (Harvard Univ Press).
1986	Visiting Professor at Harvard.
1986:	Ideas form basis of British Government paper on profit sharing.

Stagging the Stock Exchange

By Barry Riley

COUNT DOWN DAYS TO BIG BANG 14

THE Stock Exchange needs a new constitution. Last time it tried to agree one it failed, but in the next few weeks it will be having another go.

All this is one of the many indirect consequences of Big Bang; the reasoning goes like this. The new dual-capacity securities firms need outside capital. That capital would not have been injected by big banks and foreign securities groups unless they had been promised that their votes, rather than those of 5,400 sometimes wayward individual members, would determine the council's membership and policies.

Therefore the Exchange's venerable deed of settlement, which enshrines the mutual ownership basis, needs to be amended. That will require at least a 75 per cent vote in favour by members in general meeting.

Tomorrow the Exchange's ruling Council is likely to be in a position to consider and, subject to counsel's opinon and its own inclinations, to approve constitutional changes which are to be voted on by members in the first half of November.

It appears that members are to be offered "compensation" for their self-sacrifice in giving up many of their voting rights. At one stage it was hoped to offer £15,000 per member, but this has apparently edged down to £10,000 in the final proposal.

Although the details may be different, this looks like something of a re-run of a previous plan, which was narrowly turned down by members in June 1985—it received only a 73.6 per cent vote in favour.

That scheme was based on splitting each member's existing single share into five marketable units, which it was proposed would sell at a price determined by the enthusiasm of the corporate member firms in buying them.

A ceiling of £2,000 per share was originally proposed by the Council, to be made effective by opening a tap of new shares at that price. In the end the idea of imposing this £10,000 per member ceiling was dropped in order to buy support. But the vote was lost anyway.

If £10,000 was not enough then, why should it be now? One factor on the Council's side is that the membership has grown substantially, from 4,500 to 5,250. This may reflect expansion in the bull market, and the influx of new firms, but it also touches on a perception among stock market practitioners that the £1,000 initial membership fee could pay off handsomely.

The membership lists were frozen for some months ahead of the June 1985 vote but were then reopened. There has been ample time for applications since then, although a new freeze was applied a few days ago—paralleling the TSB's freeze on preferential status for depositors ahead of its flotation.

So there could be as many as 750 "stags" eager to cash in their chips, in a deal which could make the TSB's sponsors look stingy. There would not need to be many such speculators to tip the voting figures decisively in the Council's favour.

The other important argument is based on the fact that the constitutional proposal is not, this time, a self-standing affair but a necessary part of the Stock Exchange's plan to merge with Isro, the International Securities Regulatory Organisation.

Whereas in the early part of 1985 the external threat to the Stock Exchange seemed theoretical, Isro has since emerged as a clear potential rival for business in international grade equities should the merger fail to take place.

On the other hand, as Big Bank draws very near, there are signs of growing unhappiness amongst the Exchange's rank-and-file membership. Many do not fancy a future watching green screens in upstairs trading rooms ,and in any case are apprehensive about their personal prospects in the shakeout that will inevitably follow the restructuring of the market.

Some will be tempted to express that resentment by voting "No," perhaps rationalising this decision by arguing that a still better deal could be squeezed out of the Council.

Officially the Stock Exchange hierarchy is stressing the inevitability of the proposed changes. Privately, executives and Council members are nervous.

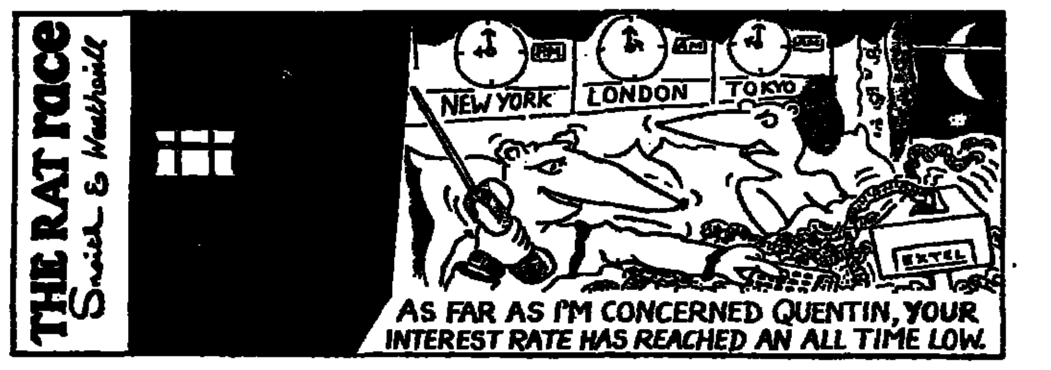
The old arguments about the value of the Exchange's assets, notably its £100m tower, have been trotted out again. As a mutual organisation the Stock Exchange cannot distribute its income to members, but the assets, in a winding-up, might be a different matter.

Quite apart from the possibly severe tax implications of a liquidation, however, it could be argued that the assets should not really be cashed in by present members, who have never paid for them, but have simply inherited the title. They are effectively trustees. On the other hand, should all the hardware, software and goodwill of the London Stock Exchange be handed over to the likes of Merrill Lynch, Nomura and Union Bank of Switzerland?

In fact, the Exchange has become committed to allowing in newcomers very cheaply. There was a promise to the Bank of England not to charge an unreasonably high entry fee, and that was subsequently reinforced by the Exchange's own realisation that it needed to woo the Eurobond houses in case they decided to set up their own international equity exchange. As recently as 18 months ago the Exchange was still thinking in terms of corporate membership as a privilege being generously extended. Since then, the Council has realised that it needs Isro's members at least as much as they need the Stock Exchange.

In retrospect it was something of a blessing in disguise that the 1985 plans were turned down. The £10,000 per member was to have been stumped up by new corporate member firms, who were to be required to build up a qualifying shareholding. But suppose they had walked away from this resistable offer? The Exchange would have found it hard to deliver an acceptable value to members for their shares.

Now, however, the Council could find itself committed to producing over £50m to compensate, or some would say bribe, members. That could be a tall order when Big Bang is about to put severe pressure on the profitability of member firms, and by implication on the value of individual membership.



For anonymity

JUSTINIAN

LORD JUSTICE WATKINS and two High Court judges last week sonorously declared that "there is no such person known to the law as the anonymous JP." The judges granted Mr David Leigh of The Observer a declaration that the policy of the Felixstowe, Ipswich and Woodbridge justices and their clerk, to withhold from the press and the public the identity of each member of a bench of justices hearing cases in the magistrates' court, was contrary to law.

The bona fide inquirer (not limited to the journalist in court or in the newspaper office) is entitled to know the name of a magistrate who is sitting, or who has sat upon a case recently heard in court. The judges added that the public's right to know involves no more than the disclosure of the magistrate's name. No one can demand the address, still less the telephone number of a Justice of the Peace. Since the purpose of identification is to ensure the proper administration of justice in the courtroom, it might be necessary to know the magistrate's occupation and any other public office he may hold.

Without the name and occupation of the magistrate it might not be possible to make an application that the magistrate should not sit on a particular case.

The issue of anonymity in the administration of justice is not confined to those who sit in the seat of justice. When, if at all, may witnesses claim to give their evidence without revealing their identity? Is an accused or convicted person ever allowed to claim anonymity, at least outside the courtroom?

Justice is generally administered openly. Once anything is said and heard in the course of the proceedings, it is treated as being within the public domain. Claims to privacy and confidentiality thus go by the board. The corollary of that principle is the freedom of the press to disseminate anything that has been revealed in the courtroom. In recent years, however, there has been a growing tendency to place some limitation upon the publication of the names and addresses of those participating in the process.

For the rest there is no anonymity. But claims by those who would be, or might be prejudiced by public disclosure of their identities are being increasingly heard.

There are occasions when courts are asked to protect an individual against public exposure through reporting in the press. Doubt exists whether any court has generally the power to make an explicit order directed to and binding on the press and public as to what might lawfully be published outside the courtroom. Courts rarely exercise any such power, although judges have been known to make a request for a witness not to be named outside the courtroom. Parliament has intervened in limited circumstances to authorise the courts to restrict the names of participants. The most recent example has been the Contempt of Court Act 1981 which does not create any power to grant secrecy but, where the court already has such power, it is given the additional power to make appropriate directions.

But what about the unsolicited and unwelcome publicity that accused persons undergo as a result of their cases being reported in the press, in particular the local newspaper? A frequent complaint is made that the law provides a penal sanction for criminal acts; publicity given to that conviction and sentence merely gratuitously adds an unauthorised punishment. The complaint is the more serious where there has been an acquittal.

A report of a court case will often depend on the notoriety of the offender and the newsworthiness of the criminal event. The double penalty of penal sanction and unwanted publicity varies according to the part of the country it takes place in and the degree of press activity.

The press in most European countries have adopted voluntary codes under which identity of minor offenders is not disclosed. These codes of practice appear to work well in providing some privacy for offenders. Some members of the Royal Commission on the Press (1977) in the UK concluded that in the case of relatively minor offences in magistrates' courts it was wrong to use the threat of what must inevitably be random publicity as a general deterrent against wrongdoing. They observed that no social harm resulted from such a limitation upon publicity in those countries which operated a system of anonymity. These members favoured the establishment of a voluntary code under the auspices of the Press Council. An equal number of members of the Commission opposed any further restriction on press reporting, either by law or by a voluntary code. They thought that the threat of publicity did operate as a deterrent to crime, and felt unwilling to diminish its impact, even if publicity did function unevenly, and hence unfairly.

The Royal Commission, however, considered that the issues raised went beyond the reporting of minor cases in magistrates' courts. It recommended a departmental committee to study the problem. The Government's response has been a deafening silence for a decade.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Mannesmann

Coiled to spring into a technological age

Peter Bruce explains how the West German group is getting to grips with diversifying away from its steel pipes core

WERNER DIETER sometimes hunches himself up in a chair while being asked a question and then seems about to launch himself from it when he answers. He never quite leaves the chair, mind, but the process, if repeated, can be unnerving. The chairman of Mannesmann is a coiled spring. His gaunt features deliver up a smile most undertakers dream about.

Dieter, 57, has been chairman for just over a year and he is already in danger of becoming fashionable. Der Spiegel, a magazine that tries never to compliment, recently carried an article about Mannesmann's enormous problems with seamless pipes that made his efforts to solve them seem almost epic. Another journal has found it remarkable that he dresses simply, makes little small talk and is apparently not interested in the theatre, music, books, fine foods or sport.

Even if he were, he would probably have little time for them now anyway because he is trying, once and for all, to do, what his predecessors have been trying to do for 16 years — to make one of the most adventurous diversification programmes in West German industry finally take root and succeed without being constantly threatened and derailed by a business (steel pipes) that he admits a person "would have to be out of one's mind" to get into now.

Mannesmann is one of the world's biggest steel pipe manufacturers. Dieter therefore cannot just walk away from the DM 6.2bn (£2.17bn) a year turnover this generates — still 34 per cent of total group turnover last year — despite the fact that the tubes division seems to yo-yo constantly between loss and, when it gets really lucky, break even. The company has been warning since the summer that tube division losses (again, after breakeven last year and a DM 218m loss in 1984) will damage overall profitability this year.

Dieter, who became chairman after the death last year of Dr Franz Josef Weisweiller, took just seven months to make a dramatic decision that his ailing predecessor had not had the strength to — in May he fired 6,500 workers in the tubes division.

In 1970 Mannesmann swapped its steelmaking business for the tubes business of Thyssen, the West German steel and industrial group. It was a spectacular deal at the time and one that established Mannesmann among its peers as being foresighted and wise. There was, after all, more added value in pipes and tubes, especially the seamless oil country variety, than in hot strip.

But the group allowed itself a luxury at that time for which it is paying now—it held on to steelmaking capacity to feed the tubes division. It was, after all, Max and Reinhard Mannesmann who founded the group in 1890 after becoming the first people to produce seamless steel tubes by rolling a solid ingot. Mannesmann still produces around 3m tonnes of raw tube steel a year, practically haemorrhaging money in the process.

Long term loyalty

This means that Dieter is looking, probably more urgently than he lets on, for a partner to make steel with, which probably implies a recognition that he is unlikely to find anyone brave or mad enough to buy the steelmaking parts of Mannesmann off him entirely. But there is more to it than that. Dieter is not a steel man. He grew up in Mannesmann's hydraulics subsidiary, Rexroth, which he joined in the 1960s; his loyalty in the long term to steel pipes is anybody's guess.

For the moment he puts a brave face on the division's future. "We are not prisoners of pipes," he insists. "But there will be a market for pipes in the future and the question is, 'who will supply that market?' There will have to be a European steel pipe and tube industry and we have a chance in Mannesmann to be a leading and profitable supplier."

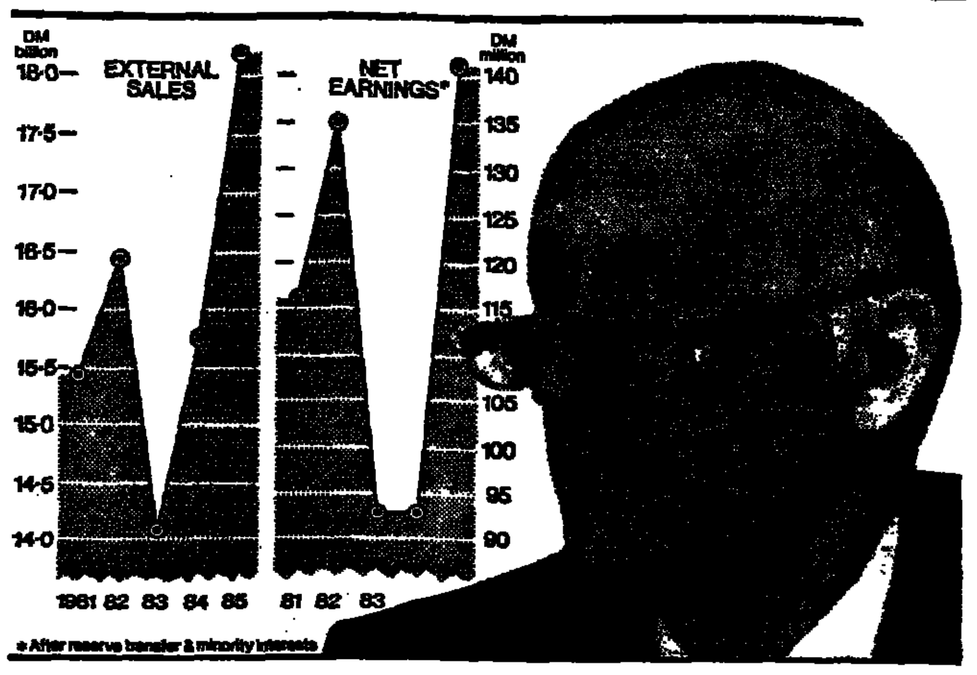
It must, nevertheless, be a cruel irony that pipes make up virtually the same proportion of turnover today in Mannesmann as they did nearly 20 years ago, in 1968, when the group began to diversify. It is the sheer scale of that change that makes the lack of reward today so bitter and which probably makes Dieter seem so determined and even angry.

Turnover then was DM 4.4bn. Tubes and tube products made up 31 per cent of sales, steel sheet and plant and machinery, 16 per cent each, coal and other raw materials 6 per cent and most of the rest being contributed by various trading operations.

In 1968 Mannesmann bought a stake in family-owned Rexroth and took it over completely in 1975. In 1969 the group gave up its coal mining activities to Ruhrkohle and stunned the European steel industry in 1970 by the swap with Thyssen, which also paid Mannesmann DM 100m at the time in order to dissuade it from merging with Hoesch, another steelmaker.

Hardly pausing for breath, the Dusseldorfers then turned their attention to one of the country's biggest crane makers, Demag, and took it over between 1972 and 1974. At almost the same time they bought a small precision instrument company, Constantin Rauch, in Ulm; quickly turned it to producing computer printers and merged it with a US printer producer, Tally, that was bought in 1979.

Tally was finally married off to Kienzle, a struggling Black Forest computer producer Mannesmann found and bought in stages between 1981 and 1982. At the same time it also took control of Hartmann and Braun, a process control and measuring business from the then deeply troubled AEG.



Werner Dieter: "not a prisoner of pipes"

Today it also owns a 42.5 per cent stake in ANT Nachrichtentechnik, along with Robert Bosch, a major telecoms transmission equipment business that was also once part of AEG and has just bought control of a small Munich software house, PCS.

Last year it tried and just failed to buy Dornier, the country's second-biggest aerospace group, although officials say the attraction was Dornier's electronics rather than its aircraft.

There is something restless about Mannesmann. Dieter says the acquisitions will probably continue. "There are many big and medium sized companies in Germany that we would like to see in our group. I am interested in anything to do with automation." He says, too, that he may have to look abroad.

But so much depends on his getting Mannesmann-röhren-Werke right. First, it would be cruel and politically dangerous to make big acquisitions while the 6,500 laid-off tubes workers take their long leave of the company. And then there is no guaranteeing that the steel tubes market, heavily dependent on oil drilling activity, will not continue to soften or, if it makes a few positive signals, quickly be saturated again.

Even if the rot in tubes gets worse, though, Dieter is said to have such a passion for technology that he would probably be incapable of ignoring the rest of the group. The diversification, a textbook mixture of intent and some opportunism, has delivered into his hands virtually all the key components of the factory and process automation markets that he is so keen on.

Demag, now one of the world's great materials handling equipment producers, is the core. Encouraged by the failure of General Electric in the US to establish itself as an undisputed leader in factory automation, Dieter believes it is now the turn of mechanical and production engineers to take a lead. "Finding good people is tough," he says.

Virtually every company Mannesmann has bought can contribute to this effort. Even Dieter's beloved Rexroth hydraulics, the turnover of which he helped increase from DM 80m in 1968 to nearly DM 2bn today, has developed revolutionary — so the claim goes — drives that will probably find their way into automated factories.

Apparently profitable

Demag, with total sales last year of DM 3.2bn, is big enough in materials handling to carry other subsidiaries with it on major contracts. Its second strength, in steel plant, also remains promising, particularly if the US and other mature steel industries continue to modernise. The group also has a big trading subsidiary — its turnover last year was DM 4.5bn — and a Brazilian steel pipe subsidiary that is apparently profitable at the moment but which has contributed not a few grey hairs to the Mannesmann board in the past.

A combination of trying to find someone to make steel with him while at the same time trying to be the biggest thing in factory automation leaves another potentially rich area of diversification — telecommunications — out in the cold. ANT Nachrichtentechnik is a serious competitor in telecoms transmission in Germany but, more important, it has secured Government contracts which will take it into broadband communications, the second and potentially most lucrative phase of Bonn's introduction of digital switching.

Dieter denies he is thinking of getting out of ANT but confesses that he is not quite sure what to do with it. "You see how difficult this sector is for experienced players," he says. "Do not expect any spectacular movements from us."

Some analysts believe that what may happen in the near future is a major investment in the US. The currencies are right, says one, and the market's there for almost everything mechanical or electronic that Mannesmann makes are big and under-exploited — accounting last year for less than 10 per cent of total (including pipe) sales. Apart from its Brazilian venture, Mannesmann has been coy about manufacturing abroad.

Yet all talk about the future at Mannesmann has about it an air of unreality while it is still being plagued by its past. Dieter must ache to be out of steel pipes altogether. The Russians and the old oil producers do not buy them much any more. And you can't automate a steel pipe, it just lies there. That is no longer Mannesmann's style.

Personnel: we've seen it all before

David Brindle reports from a recent conference

THE DOUBTS were voiced after only the first speaker of the two-day conference. "So what is so new about any of that?" was, in so many words, the general criticism.

The speaker, personnel manager of a leading electronics company, did well in further discussion to recover from the cutting accusations that the innovations he had outlined were nothing more than 1970s old hat.

But the suspicion persisted throughout the conference, held recently at Warwick University, that the king's new clothes were not quite what they were made out to be. The "development of human resources," the theme of the event, was surely just a ragbag of tired old personnel theories dusted off and given a grand-sounding title.

So great was this suspicion, in fact, that Keith Sisson, director of Warwick's industrial relations unit, was forced at the end of the conference to take the bull by the horns and admit that there was, indeed, nothing new under the sun.

"If people were thinking there is an instant solution, then I do not think there is one," he said. "Virtually every one of the speakers has been honest enough to admit how humble their solution is."

Perhaps expectations had been too high. The conference, the first of a series organised jointly by Warwick and Industrial Relations Services, had attracted personnel, industrial relations and human resource managers from organisations ranging from the BBC and British Rail to ICI and Scottish and Newcastle Breweries. Many of them made the point they were not habitual conference-goers.

What had drawn them to the Warwick event (for which they each paid £471.50) was its promotional sell that "success in the market place lies in the effective management of human resources" and its packaging of something of everything that is in personnel fashion: workforce flexibility, performance pay, employee participation, training and staff development and Japanese-style management.

The speaker list, too, was impressive, including Len Peach, chief executive of the National Health Service and the guru of human resource managers from his days at IBM, and Peter Wickens, personnel director of Nissan UK, the showcase of integrated human resource planning. Here, it may have seemed, could be picked up in less than 48 hours the essential elements of a human resource management starter pack.

What became clear during the two days, however, was there is no one template for effective human resource management — that the solution for one company may be irrelevant elsewhere, that what is old hat to one manager may be quite novel to another.

Thus the first speaker's account of his progress on flexible working time, including winning agreement to a working week of up to 45 hours without any overtime pay but with time off in lieu, was received with little-concealed wonder by some of those present. To others, though, it was something inappropriate or even, having tried it themselves, unsuccessful.

A personnel manager of a prominent oil distribution company said: "We have a lot of high-cost equipment which is better utilised by paying for overtime than having it left standing idle by skilled workers having time off."

Similarly, there was evident feeling that it was considerably easier to win employee agreement on flexibility, on performance pay and long-term wage deals, if the company was facing inevitable upheaval and if, at the same time, it had cash with which to buy change from a smaller resulting workforce. As one speaker joked: "People say 'It's all right for them—their factory burned down.'"

In this context, the opportunities open nowadays to prospective employers like Nissan were regarded with some envy but not by everybody. As Wickens outlined his achievements at the Japanese company's plant at Washington, Tyne and Wear, Frank Hughes could barely contain himself.

"We did all of that in 1979," said Hughes, of American Can UK in Runcorn, Cheshire. Brandishing the union agreement he kept in his pocket just to prove it, he added: "We didn't need the Japanese to come along to tell us how to do it. We just got on with it—no problem."

UK NEWS

Rover Group to sell stake in Australian unit

BY KENNETH GOODING

ROVER GROUP, the state-owned vehicles company, will announce the sale of a majority interest in its Australian subsidiary, JRA, this week by way of a management-led buy-out.

The move means Rover chairman and chief executive Mr Graham Day, who took over in May, has reversed the previous management's policy and will add JRA to a privatisation list which already includes Unipart, the spare parts subsidiary, and Leyland Bus.

However, he has decided that Rover should keep a significant minority shareholding – perhaps 20 per cent – in JRA.

The rest will go to the management team, led by Mr Phil Hovell, 40, the managing director, and a group of international but Australian-based institutions.

JRA has had a volatile profits record so the price is more likely to be related to the company's net asset value which at the end of last year was A$77.8m (£34.4m).

The company made a net profit of A$24.9m on a turnover of A$247m last year, up from A$19.7m on sales of A$243m in 1984, and doubled its dividend to the UK parent to A$10.26m.

JRA has warned that this year's profits will fall steeply from the 1985 level because demand for luxury cars has stalled in Australia following the imposition of a luxury car tax, a sharp increase in the price of imported cars caused by the devaluation of the Australian dollar and accompanying high interest rates.

The previous Rover Group car division management team last year resisted takeover approaches for JRA from companies controlled by local businessmen Mr Alan Bond and Mr Ron Brierley and Honda Japan, as well as ruling out a management buy-out.

Mr Day has quickly reversed that policy but wants Rover Group to keep a key shareholding in JRA. Although last year only 30 per cent of JRA's business came from sister Rover Group companies, it will remain an important customer for UK products.

For example, JRA is currently putting the finishing touches to a £50m contract to supply the Australian army with 2,900 Land Rover vehicles over the next five years, starting with first deliveries late in 1987.

Most of the vehicles will be assembled from UK-supplied kits at JRA's Sydney factory. It is understood the Australian Department of Defence is not worried about the change in JRA's ownership.

JRA will also provide export orders for the Rover Sterling, Austin Rover's new executive model developed in cooperation with Honda of Japan. It was intended that the new Rover model would be supplied to Australia from Japan, where Honda will make some cars for Austin Rover. But the substantial increase in the value of the yen makes supply, from Britain a more economic proposition.

The JRA story has echoes of the recovery and privatisation of Jaguar. Mr Hovell took over as managing director in 1981 and his first job was to decide whether it should be closed down or if it could be rescued.

BA sale details to be unveiled next week

By Lynton McLain

BRITISH AIRWAYS and the Government are to give details on October 21 of the offer for sale of shares in the airline.

The Government is hoping to sell the airline before the end of the 1986-87 financial year on March 31 – a year when the airline's own stockbrokers, Philips & Drew, forecast a fall in pre-tax profits from £183m in 1985-86 to about £125m.

The north Atlantic routes represented over 40 per cent.

The north Atlantic routes represented over 40 per cent of BA's profits in 1985-86, "but earnings here will have come under pressure in 1986 and BA's traffic may decline by 15 per cent in the first six months of 1986-87, reflecting falling tourist arrivals," Phillips & Drew said.

Phillips & Drew forecast in a circular on international airlines, "a strong recovery in BA in 1987-88 to around £200m pre-tax profit." At the same time,the brokers forecast higher capital spending by the airline, including the possible purchase of additional Boeing 757s.

Phillips & Drew said that part of the reason why BA planned to acquire its fleet of 16 new Boeing 747-400 long-range aircraft on flexible, long term operating leases was "the possibility that the 1990s will see new generations of aircraft powered by highly fuel efficient prop fan engines."

● The first of 10 British Aerospace (BAe) 146 four engine airlines for the Civil Aviation Administration of China (CAAC) has entered service on routes from its base at Lanzhou, 700 miles south west of Peking, BAe said.

Risks to long-term unemployed 'double after three months'

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

THE RISK of a person joining the long-term unemployed almost doubles after three months without work, according to research by the Manpower Services Commission (MSC) which administers the Government's training and employment policies.

An analysis in the MSC's Labour Market Quarterly Report, published today, shows that someone becoming unemployed last year had a 19 per cent probability of remaining without work for a year, and a 4 per cent chance of still being unemployed after three years.

But if a person had not found work within three months, the chance of remaining unemployed for a least a year rose to 37 per cent, with the probability of unemployment continuing for three years going up to 8 per cent.

About 41 per cent of all unemployment benefit claimants are long-term unemployed – people who have been without work for at least a year.

The Government last week announced a pilot project to extend its Restart programme to those who have been unemployed for six months or more. Under this scheme, available for people who have been jobless for at least a year, the long-term unemployed are given individual counselling aimed at providing job offers or places on the Community Programme or training schemes.

Long-term unemployment as a proportion of total employment varies regionally from 34 per cent in the south east (excluding London) to 47 per cent in the west Midlands.

Another survey in the MSC review shows that about 13 per cent of all vacancies at Jobcentres in the spring had been unfilled for at least two months, nearly a quarter of them because of skill shortages.

More than 80 per cent of known skill shortages are concentrated in the processing, manufacturing and repairing, personal services, education, welfare and health sectors.

Growth 'may reach 4%'

BY OUR ECONOMICS STAFF

THE PRESENT strong and "excessive" growth in Britain's money supply and better world prospects should result in a sharp increase in the pace of economic growth to 4 per cent next year, the London securities house L. Messel has forecast.

The upturn, however, will be accompanied by steadily rising inflation and the annual rate of price increase could reach 10 per cent in two to three years time, it says.

Messel's quarterly macroeconomic forecast is based on a new computer model of the economy which the securities house says has several distinct characteristics compared to those operated by other City of London economists.

It places more emphasis on developments in the financial sector of the economy – in particular the money supply, asset prices and savings behaviour – than traditional economic models.

BCal calls for action on BA competition

By Lynton McLain

BRITISH Caledonian Airways has called on the UK Government to establish conditions of entry for airlines wanting to compete with British Airways. The aim is to restrict anti-competitive behaviour by BA to allow fair competition.

Mr David Coltman, managing director of BCal, has written to Mr John Moore, Transport Secretary, asking him to consult the civil aviation industry under the auspices of the Civil Aviation Authority. Mr Coltman hopes this will lead to action by the authority to protect the entry of British carriers on BA routes.

BCal's criticism comes two weeks after Britannia Airways, one of the UK's largest holiday charter airlines, lost its battle to prevent BA from operating group and inclusive tour flights and to prevent British Airtours, a BA subsidiary, from operating scheduled services. Britannia wanted to restrict BA's and Airtours' activities in the BA originating market for leisure travel.

Mr Moore dismissed Britannia's appeal against the refusal of the CAA to revoke or vary air transport licenses held by BA and British Airtours.

British Airways is to be sold to the private sector early next year. Mr Moore said in announcing his dismissal of the appeal by Britannia Airways: "While BA had the potential to engage in anti-competitive behaviour, there was no evidence that it had done so, was doing so, or was about to do so."

He was unpersuaded that BA's dominant position in British aviation itself precluded fair competition and the sound development of a multi-airline industry.

BCal was prompted to take action because of what it regards as BA's pre-emptive strike to hamper BCal's entry on the London-to-Tokyo route. BCal was granted a licence by the CAA to begin the first British non-stop services between London and Tokyo in April, breaking the BA monopoly as the only British airline on the route. BA's services stop at Anchorage.

The authority said it would be happy to consult the civil aviation industry about possible changes

Ahead of the start of the new service, BCal is already feeling vulnerable. BA has increased its service from five flights a week to six flights a week. BCal is concerned that BA might add a seventh flight.

Under the Anglo-Japanese air service agreement, airlines from each country are restricted to a maximum of eight flights a week. Japan Air Lines is the only Japanese airline on the route. It operates all eight flights. A seventh flight by BA would leave BCal no room within the bilateral agreement to increase its once-a-week frequency. Talks on the agreement take place in Tokyo in December.

"This is a deliberate attempt by BA to mop up surplus traffic to make BCal's entry to the route more difficult," BCal said. "BA's action is designed to block our competition on the route."

"It is not much use licensing airlines to compete, as on the Tokyo route, if there is no mechanism to allow them to establish themselves,"BCal said. "Unless a mechanism for market entry is brought into being, the Government White Paper (policy document) on airline competition policy is a hollow document."

BCal failed in April to restrict BA to five flights a week to Tokyo.

BCal is to hold talks in Moscow on October 28 to present its case for rights to overfly the Soviet Union en route non-stop for Tokyo. Current flights from London go via Anchorage.

● BCal said yesterday it knew "absolutely nothing" about any interest from Sir Y. K. Pao, the Hong Kong shipowner in bidding to take over BCal. "He has certainly made no approaches to us," the airline said.

Tories and Labour make strong push to keep up momentum

BY JOHN HUNT

THE CONSERVATIVE and Labour parties have a full agenda planned for this week in a effort to keep up the political momentum generated by the annual party conferences.

Mrs Margaret Thatcher, the Prime Minister, has called a meeting for today of the so-called "A Team" of ministers who will review policy in the light of last week's Tory conference at Bournemouth.

Later in the week the Star Chamber committee of senior ministers will hold the first of a series of meetings to settle differences between spending departments and the Treasury over public expenditure levels for 1987/1988.

Tomorrow, the Labour Party starts a drive to put its policies across to the electorate between now and the general election.

In a new departure from its traditional tactics it will launch a document "Investing in People," giving a succinct outline of the party's economic and social policies.

The 20-page colour brochure will be launched at a press conference by Mr Neil Kinnock, the party leader, backed up by senior party spokesmen and members of Labour's National Executive Committee.

An initial print order of 75,000 copies will be on sale at 75p each in newsagents and 2,000 copies will be sent to key opinion formers.

In addition, 100,000 leaflets will be distributed in key marginal constituencies and it will be backed up by a party political broadcast tomorrow night.

Party officials were describing it as the "most persuasive and cogent" operation ever attempted by the party.

It will emphasise how the party would use resources to create jobs rather than to pay for supporting a continued high rate of unemployment. It will also explain how Labour intends to fund such measures following the recent claims that its programme would lead to higher taxation.

Although it is not intended to be a election manifesto a party official said: "We have been concentrating this year on revamping the party's image. Now we have to spell out our electoral message and present our policies in a coherent and determined way."

The Conservative strategy team at its meeting today will be reviewing the work of a series of party policy groups set up earlier in the year.

A note of caution is expected. There are fears that the euphoria of the Bournemouth conference could start a momentum for an early general election next year and so limit the room for manoeuvre over the timing.

The Committee includes Viscount Whitelaw, who is Mrs Thatcher's deputy, Mr Nigel Lawson, Chancellor of the Exchequer, Sir Geoffrey Howe, the Foreign Secretary, Mr Douglas Hurd, Home Secretary, and Mr John Wakeham, the Chief Whip (party steward).

On public expenditure, the Star Chamber will have to settle departmental spending levels for Mr Lawson to make his autumn statement in November.

It is chaired by Lord Whitelaw and this year consists of Mr Norman Tebbit, the Conservative Party Chairman, Mr John Biffen, leader of the House of Commons, Mr John MacGregor, Chief Secretary to the Treasury, and Mr Kenneth Clarke, Employment Minister. A further minister has yet to be appointed.

CBI urges budget tax aid for unemployed

BY HAZEL DUFFY

BUSINESS LEADERS in Britain show little enthusiasm for the Chancellor of the Exchequer's determination to make a cut in the standard rate of income tax the priority in the next Budget.

This is the view inspired by preliminary meetings in the regions at which the Confederation of British Industry (CBI), the UK employers' organisation, sounds out its members prior to drawing up its representation on the Budget. A further chance to gauge the mood of members will be provided at the CBI national conference early next month.

But the feeling coming from the regions is that, Mr Nigel Lawson, the Chancellor is wrong in going for a standard rate cut. Instead, many businessmen want to see the Government doing more to cut unemployment, more, that is, than the measures announced by Lord Young, Employment Secretary, at the Conservative Party Conference last week.

"If there are to be tax concessions, then it must be done by raising the tax threshold so that we are seen to be doing something for those on low pay and getting some of the unemployed back to work," the chairman of a successful manufacturing company in the north west said last week.

If these views are borne out by the CBI conference next month, tax concessions look like coming low on the list of priorities to be summitted to Mr Lawson, by the CBI in its Budget representation early in 1987.

High on the list, however, will be the call for around £1bn extra spending on the infrastructure and inner cities. The first shot in this campaign will be fired by the CBI today when it launches the third of its reports, entitled "Fabric of the Nation."

The aim of the report is to set the stage for decisions to be taken by ministers in the run-up to the autumn statement and then the next Budget.

Part of the increased spending on inner cities called for in the report has already been agreed with the announcement last week by Mr Nicholas Ridley, Environment Secretary, that the Government is creating four more urban development corporations.

It also calls for more spending in the inner cities along the lines advocated in a CBI policy document published earlier this year.

Many companies in the south east are reporting increases in productivity. Mr Martin Morton, the CBI's acting director for the region, said: "Reports from members throughout Kent, Surrey and Sussex show that productivity is up right across the board, in sectors including engineering, semi-conductors, process plant, factory equipment, machine tools, electrical components, dairy products and convenience foods."

Visitors to Europe spend more than $8bn

By David Churchill

EUROPE'S TOURIST industries enjoyed their best-ever year in 1985 with foreign visitors spending a record $8.5bn, in Europe during their stay, according to the annual report from the European Travel Commission published yesterday.

The report shows that for the fifth successive year there was growth in the number of arrivals from large overseas markets. Leading the way were visitors from the US – up by 11.5 per cent on the 1984 figure to reach a total of 6.4m. Canada accounted for 1.2m visitors, up by 16.7 per cent, and Japan some 9 per cent more visitors at 0.5m.

The report also shows an increase in tourists from Australia, Argentina, and Brazil.

Although the impact of terrorism and the Chernobyl nuclear disaster has badly hit Europe's tourist industries in the first half of this year, the Commission is still forecasting an annual growth rate in visitors to Europe of 5 per cent per year up until 1990.

Mr Len Lickorish, chairman of the commission, points out that the European response to the problems of the past year was based on "an intensive public relations campaign rather than advertising."

Sealink pressed to end dispute

Charles Leadbeater explains how the dispute which has disrupted ferry services between the UK, Ireland and Europe may force Sealink to make significant changes to its redundancy plans.

SEALINK UK may be prepared to significantly modify its demand for 203 redundancies on two cross-Channel ferries, which has become the main obstacle to a settlement of the dispute which has halted the company's services to continental Europe and Ireland for the last 10 days.

Officials of the officers union Numast in the Channel port of Folkestone say they have been informed that the company is about to withdraw its redundancy plans. National negotiators were still awaiting confirmation of the details of the company's proposals.

The NUS will hold further meetings with the company today following overwhelming rejection of the company's proposals at mass meetings over the weekend at Folkestone and Holyhead, north Wales.

Sealink UK refused to comment on whether it would withdraw its plans for redundancies.

Union officials believe pressure on the company to settle the dispute has intensified after Friday's announcement that the costs of the strike, and expected costs of redundancies had forced Sea Containers, – Sealink UK's parent company – to suspend its dividend payments.

Officials of Numast, and the National Union of Seamen, say that after a week of intensive talks they are close to an overall agreement with the company.

In the past week what started as a dispute over the company announcement of 492 redundancies as part of a plan to rationalise its services to the Channel Islands, has turned into a battle over Sealink UK's entire operation.

Backed by a strike which has hit all the company's services except those to the Isle of Wight, the seamens' and officers' unions have for the first time worked effectively together to force the company to address wider issues.

Many of these had been raised before at a local level. But once in negotiations the unions insisted that the two sides should reach agreement on the future of all Sealink UK's services to avoid a repetition of the surprise announcement of redundancies on the Channel Islands service.

This issue was settled relatively quickly. But last Monday the two sides had an agreement that the 492 dismissed workers would be reinstated for 13 weeks on full pay.

This would allow time for further negotiation to determine how many ferries could profitably run on the Channel Islands service. Sealink UK used to run four vessles to Jersey and Guernsey, but it announced the job losses under a plan to run a joint service with Channel Island Ferries which would only use one Sealink UK ferry all year. Of the three other ships which ran the Sealink UK service two were to operate only during peak periods and the fourth was to be mothballed.

The company has now agreed that these plans might change depending on the outcome of negotiations.

The unions have also won a commitment from the company that it will not introduce "offshore" contracts on any of its routes.

The Corbiere, the vessel which would provide the Channel Islands Ferries part of the service is registered in the Bahamas. The unions were worried that Sealink UK's collaboration with CIF would lead it to become the first ferry operator to run its ships under foreign flags and introduce "offshore" contracts.

Under offshore contracts seamen and officers are employed via an employment agency, rather than directly by the shipping company. They are responsible for their own pensions, sick pay arrangements, and often their national insurance contributions.

The company has also agreed to improve severance pay, provide the unions with a detailed account of its plans for all its services, and abide by agreements to consult the unions over proposed redundancies.

Union negotiators accept that the company's decision to make 109 redundancies among seamen and officers at Harwich on the east coast, who operated the port's rail freight services to Holland, will have to be pursued with British Rail.

The company has refused to guarantee there will be no future job losses on the remaining passenger ferry at the port – the St Nicholas.

The central issue of the negotiations has become the 203 redundancies the company wants at Folkestone and the 35 at Holyhead.

BR said last month that it plans to re-route its Harwich services to Dover from January 31 next year to cut costs. A delegation of management and workers from Harwich hope to meet British Rail in an attempt to persuade it to reverse the decision.

The officers union is happy to allow the issue to be settled by local negotiations which have been in train for some time.

Officers at Holyhead for instance have said they would agree to the redundancies as long as there would be guarantees of three year's work.

The National Union of Seamen wants a settlement in the national talks. But officers and ratings work to set ratios, and any national agreement on changes to ratings crewing levels would have to be ratifed by local negotiations on officers' manning levels.

Irish human rights plan rejected

By Hugh Carnegy in Dublin

THE POSITION of Irish nationalists in Northern Ireland had worsened, not improved, since the signing last November of the Anglo Irish Agreement, Mr Charles Haughey, leader of the Irish opposition party Fianna Fail, said yesterday. He also attacked what he called the "increasing arrogance" of British attitudes towards Ireland.

In a strongly worded speech, Mr Haughey said that his party rejected a proposal which emerged last week from the Anglo-Irish intergovernmental conference set up under the agreement to draft an all-Ireland declaration of human rights.

The Fianna Fail spoke of a "background of terror and oppression" in Northern Ireland, where he said the abuse of human rights was a daily occurrence.

"It is beyond comprehension that an Irish Government would countenance any such unwarranted intrusion into our affairs and such a misrepresentation of the situation in this part of the county," he said of the human rights proposal.

Some of the venom of Mr Haughey's remarks can be put down to the occasion. He was speaking at an annual commemoration at Bodenstown, County Kildare, where Wolfe Tone, the 18th century campaigner for an independent, non-sectarian Ireland, is buried, Tone is regarded as the father of Irish republicanism.

Although he did not say he would scrap the accord, the speech amounted to the strongest attack for some time on the Anglo-Irish agreement by Mr Haughey.

Mineworkers' union 'faces £2m deficit'

BY PHILIP BASSET AND CHARLES

THE NATIONAL Union of Mineworkers faces its most serious financial crisis since it inception, with its deficit for 1986 likely to top £2m unless drastic action is taken to restore the NUM's finances, an internal union report reveals.

The report drawn up for a recent meeting of the NUM's national executive says: "The extent of the projected deficit is horrendous, and the National Union is rapidly heading towards a disastrous situation.

Unless action is taken to shore up the union's finances then "the union's ability to operate is threatened."

The paper shows that the union is running a £250,000 overdraft with the Co-operative Bank, and cannot continue to pay normal bills or meet outstanding commitments without increasing the overdraft.

The union is four months in arrears with its contribution to its staff superannuation fund. "Unless action is taken the superannuation scheme could be in very serious difficulties."

Only four of the union 18 areas are running a surplus. In the first four months of this year 14 areas made a combined loss of £401 000, offset by four areas which made a positive contribution of £119,000.

The areas collect money from members to cover their own running expenses as well as contributing to the national union's funds.

The report says that the main short-term pressure on the union's funds was the 1984/5 miners strike. Expenditure of £15.6m outstripped income of £11.4m between January 1984 and August 1986, wiping out the January 1984 surplus of £9m in the union's general fund.

However, union finances have also been withered by redundancies, and the establishment of the breakaway Union of Democratic Mineworkers. The union's membership contributions show that membership has fallen from 182,000 in 1984 to around 116,000 in April 1986. The NUM affiliated to this year's Trades Union Congress with a claimed membership of 135,306.

The growing role of bonus payments in miners' earnings have also hit contributions to the union, as contibutions are calculated on the basic wage of the lowest grade of surface worker, excluding bonus payments. The report says the increasing share of miners earnings made up by bonus payments has led to a loss of contributions income of around 40 per cent.

This is the main factor undermining the union's finances, the report says. It outlines a number of options to "increase contributions substantially. Under the most radial proposals individual contributions would more than double to between £1.80 – £1.90p per week.

The report says the staffing costs of the union's area offices are much higher than in other unions. It says mergers to reduce the number of areas from 18 to 10 are essential to reduce costs.

A voluntary redundancy scheme should be introduced to substantially reduce the number of full time staff from 208, the report says.

Blow to plan for inner-city task force

By Anthony Moreton, Regional Affairs Editor

THE GOVERNMENT'S plan to set up a National Task Force in conjunction with the private sector to undertake inner-city development alongside local councils has been severely damaged by the resignation of the proposed chairman, Sir Nigel Broackes.

Sir Nigel, chairman of the large property developing concern Trafalgar House, said: "I have turned down the project because the Government has refused to give the body the necessary powers. Without those it will not get anywhere."

Sir Nigel believes that, to succeed, a national body needs some finance from the government and powers of compulsory purchase. Mr Nicholas Ridley, Environment Secretary, was unwilling to concede either point.

As a result, Sir Colin Corness, chairman of Redland, who led the original consortium that put the idea up, has taken back the leadership. It is believed that the Task force is now engaged in a desperate attempt to find even one town where it might operate.

Stockbroker defends USM performance

BY ALICE RAWSTHORN

AN assumption that shares in the small companies quoted on the Unlisted Securities Market (USM) under perform those quoted on the Stock Exchange has been Contested by James Capel, the stockbrokers.

Since its creation in November 1980 the USM has, according to the USM Index compiled by Datastream, under performed the FT All Share Index by 50 per cent. In that period the USM Index has risen by just 30 per cent, compared with a rise of 155 per cent for the FT All Share Index.

In a report on small companies James Capel argues that the USM Index has been artifically depressed by three factors:

- by the loss of the junior market's larger, more active stocks to the main market: 61 USM companies have graduated to a full listing since November 1980.
- by the large number of companies in the troubled oil and technology sectors on the USM: 21.3 per cent of the USM Index is composed of technology stocks and 5 per cent of oil stocks, compared to 4.6 and 1.1 per cent for the FT All Share.
- by the fall in prosective price/earnings ratios for USM companies from 18 to 20 before mid-1985 to 11 to 15 1986.

James Capel has produced an alternative to the Datastream USM Index which allows for these depressive factors. The James Capel statistics indicate that, far from under-performing the FT All Share Index, the USM has out-performed it by 17 per cent, or three per cent a year, since November 1980.

"Our research shows that there is considerable potential for investment in small companies," said Mr Neil Blackley, joint head of small companies research at James Capel.

"The average p/e ratios of USM new issues has fallen significantly since the middle of 1985 and we believe that many of the companies quoted on the USM are undervalued."

Publication of this research, in a report entitled Portfolio, marks the beginning of a concerted effort by James Capel to establish itself as a force in the small companies sector.

Its move towards small companies coincides with a period of great uncertainty for the smaller companies quoted on the stock market and the USM.

TRADERS TRY OUT COMPUTER SYSTEM

Stamping on Big Bang's bugs

BY ALAN CANE

THE SUN shone unseasonably brightly in the City of London on Saturday, but the traders and technicians gathered there to test the Stock Exchange's all-important new computerised market information system, Seaq, saw little of it.

Many were there in their smart new dealing rooms glued to computer screens from early morning until late evening. The post mortems started as soon as the computers were switched off and, in some firms, carried on through yesterday. It had been, they all agreed: "a learning experience". For some, a confirmation their systems were in good order; for others, a qualified success indicating where work remained to be done.

It was the first time the equities market makers as a group had been able to test their ability to connect their computers to Seaq (Stock Exchange Automated Quotations), input and change their prices and record deals carried out.

Market makers unable to meet these requirements will be excluded from trading after "Big Bang" or deregulation, on October 27. The Stock Exchange has given its members until Thursday hight to pass muster. Successful operation of Seaq, which connects the exchange and its members in a single information network, is critical to the success of the new markets after deregulation.

Mr George Hayter, director of information services for the Stock Exchange, said the trial had been "extremely encouraging." There had been no horror stories, although Seaq had gone unexpectedly off the air for four minutes early in the day due to an unexplained software fault.

The purpose of the rehearsal, he said, had been to unearth such unexpected faults. Member firms had reported almost 30 problems in the first few hours of trading but all had been satisfactorily resolved: "The members have been very cooperative and helpful" he said cheerfully "even if one or two of them have been doing slightly peculiar things."

UK NEWS

Decline of sterling forces IBM to increase prices

BY TERRY DODSWORTH

THE DECLINE of the pound in recent months has forced IBM, the international computer group, to take the unusual step of raising prices on its large mainframe computers by up to 6 per cent in the UK market.

The move is apparently aimed at reducing a flood of orders from continental customers who have been buying their IBM mainframes in the UK to take advantage of the growing currency differentials in Europe.

Executives in the computer leasing business say the effective cost of buying some computer models in the UK has been as much as 20 per cent lower for customers in strong currency markets, such as West Germany.

"Given that the models can cost between £1m and £5m, the fall in the pound in the last three months has made it a very attractive proposition for large companies to buy their computers in the UK," said ECS, the French-based computer leasing group.

IBM has declined to comment on the cross-border ordering pattern that has emerged on its products in Europe, or its reasons for wanting to bill revenues in continental currencies rather than sterling.

But it says that "the price increases in the UK have been linked to decreases in some European countries to "reflect currency movements over the past few months."

All the price adjustments are on the 3090 range known colloquially as Sierras, and the most powerful machines in the IBM product line. In the UK, the smaller 150 and 180 models will rise in price by 6 per cent while the larger model 200 and 400 will increase by 3 per cent.

Price cuts of between 7 per cent and 9 per cent have been announced in Switzerland, and there will also be reductions in Austria, Germany, the Netherlands and Belgium. Prices in France are remaining unchanged.

The increases in the UK have caused some surprise in the industry, despite a previous currency-related rise in February 1985, because the general tendency is for prices on existing models to decline.

Indeed, earlier this year, IBM cut prices on the Sierra range in Britain, apparently to stimulate demand.

Industry executives say, however, that the cross-border trade in the Sierra range has become exceptionally brisk in the past few months, particularly between the UK and West Germany.

Call for more women in top roles

By Hazel Duffy

MORE WOMEN in boardrooms and public positions of responsibility will be the theme of a conference to be held later this month, organised by the Institute of Directors (IOD).

The conference, which will be attended by more than 100 women executives, aims to advise them on how to put themselves forward for the boardroom and public sector bodies. These areas were identified at an earlier IOD debate as those where women are most under-represented. Although women would seem increasingly to be holding senior positions, official statistics showed a drop in the number holding managerial positions between 1975 and 1985 from 9.7 per cent to 6.2 per cent.

Only eight women hold directorships in the top 100 companies in Britain, three of them non-executive. Although 20 per cent of public appointments are held by women, few are at a senior level.

The conference, on October 24, will be addressed by senior women from the financial and manufacturing sectors, as well as Mr David Trippier, minister for small businesses, and Mr Bryan Nicholson, chairman of the Manpower Services Commission.

Power station deal may hold clue to privatisation policy

BY MAURICE SAMUELSON

AN IMPORTANT signal of the Government's plans to privatise the UK's electricity industry is expected to emerge shortly over its attitude to a £500m power station project in Northern Ireland.

Two private consortia are competing with each other, and against the state-owned Northern Ireland Electricity Service (NIES), for the right to operate as well as build a 450 MW station fuelled by local lignite, or low calorific coal.

Lignite's cheapness means the plant could, theoretically, supply Ulster's cheapest electricity, 90 per cent of which is still oil generated.

The Conservative Party strongly re-affirmed its privatisation ambitions at its conference last week. And this has led to a growing belief in Belfast that the scheme will be used as a launching pad for privatising the electricity supply industry in the UK as a whole if it wins the next election.

For the NIES and the power station unions, the choice of who will operate the plant will be more significant than who is to build it. If it is to be run privately, it would mark the first major breach in the public monopoly of the UK electricity supply industry.

Speculation about electricity privatisation has persisted since last year when Lord Marshall, chairman of the Central Electricity Generating Board, (CEGB) said that after the sale of the gas industry it would be "the logic of the Government's position" to denationalise electricity as well.

In a statement in last week's Electrical Review, a Belfast government official said that the contract "would go to whoever will provide a package which will deliver the cheapest power to the consumer, and has the technical capacity to undertake the construction and operation of the station."

If private interests landed the construction contract, the Government would depict this as part of its policy of cutting public spending, a point it frequently stresses over financing of the Channel Tunnel and other large investments.

The NIES has submitted proposals to build and operate the station. With the private tenders due to be presented by November 19, the Government could reach a decision early next year.

The two private consortia are Loughside Power, led by Costain and Foster Wheeler, and Antrim Power, led by the US Bechtel Corporation, and with GEC Turbine Generators as a minor partner.

Bus rules boost for Freight Rover

By John Griffiths

FREIGHT ROVER has received 1,000 orders for a small bus chassis developed this year in anticipation of UK bus service deregulation. Deregulation will allow operators to compete for bus service licences.

Based on the Sherpa van, the chassis-cowl unit, comprising chassis, drive-train and a front cowl to protect the driver during delivery, has been in production at Freight Rover's Washwood Heath, Birmingham, plant.

Deliveries have been made to specialist body builders, who have been constructing 16–18 seat bus bodies on the chassis for sale to, or for, existing and would-be bus operators.

Freight Rover said orders had been placed throughout the country. It is understood that most are for use by the National Bus company.

Among other deliveries, some are understood tho have been to Optare, formerly part of Leyland Bus; Dormobile, Rootes of Maidstone and Carlyle of Birmingham.

All the chassis ordered from Freight Rover so far are expected to be in use by the end of the year.

Most of the completed buses will start coming into use on October 26

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
AGB Research, Butchers' Hall, 87, Bartholomew Close, EC, 12.00
Clogau Gold Mines, Butchers' Hall, 87, Bartholomew Close, EC, 10.00
Mid Wynd Intnl Inv Tst, City House, 16, Overgate, Dundee, 11.00

BOARD MEETINGS—
Finals:
Bryant Hldgs
Medminster
Ramus
Interims:
Edinburgh Inv Tst
Farnell Elecs
Fothergill and Harvey
IBL
Rembla Rubber
Slingsby (H. C.)
Steel Bros

DIVIDEND & INTEREST PAYMENTS—
AAH 4.88p
Appleyard 1.75p
Argyll 3.1p
Babcock Intnl 4p
Conder 1.5p
Dale Electric Intnl 1.5p
Dwek 1.5p
Equity and General 0.6p
Ladies Pride 0.5p
Magnolia Group (Mouldings) 1.25p
Reed Executive 3p
Slough Estates 2.5p
Stirling Group 1p
Vibroplant 6.8p

TOMORROW

COMPANY MEETINGS—
Fleming Overseas Inv Tst, 25, Copthall Avenue, EC, 11.30
Intereurope Technology Services, Ladbroke Mercury Hotel, Bagshot Road, Bracknell, Berkshire, 11.00
Ratners (Jewellers), Westbury Hotel, Conduit Street, W, 12.00

BOARD MEETINGS—
Finals:
Glaxo
Lyle (S.)
Paterson Zochonis
Peachey Prop
Pochin's
TV-am
Interims:
Alexandra Workwear
Brent Walker
Honda Motor
Martin (Ronald)
Microleasе

DIVIDEND & INTEREST PAYMENTS—
Anglia Building Society Fltg Rate Nts Jan 1998 £128.39
BBL Intnl NV Gtd Fltg Rate Nts 1999 $179.22
Bedford (William) 1.5p
English Trust 2p
Evans Halshaw 0.72p
Greggs 2p
Osterreichische Landerbank AG Fltg Rate Sub Nts 1999 $179.22

WEDNESDAY OCTOBER 15

COMPANY MEETINGS—
Aitken Hume Intnl, Connaught Rooms, Great Queen Street, WC, 11.30
Alumasc, Connaught Rooms, Great Queen Street, WC, 12.30
Armitage Bros, Armitage House, Colwick, Nottingham, 11.00
Automagic, Great Northern Hotel, King's Cross, N, 11.30
Brunning, Adelphi Building, John Adam Street, WC, 10.05
Davies (D. Y.), General Council of British Shipping, 30-32, St Mary Axe, EC, 11.00
Highgate and Job, 51, Moss Street, Paisley, Renfrewshire, 12.30
Smith (W. H.) and Son, Millbank Tower, SW, 12.00

BOARD MEETINGS—
Finals:
Bejam
Fisher (Albert)
Leisure Invs
Portland Hldgs
Tay Homes
Interims:
Abbey Life
Aitken Hume Intnl
Allebone
Bisichi Tin
City of Oxford Inv Tst
Conrad
Delyn Packaging
Fogarty
Guthrie
Helene of London

DIVIDEND & INTEREST PAYMENTS—
Abbey National Building Society Fltg Rate Nts £256.78
Abercom Scts
American Brands 12½pcLn 2009 6¼pc
Arbuthnot Govt Secs Tst Inc Ptg Red Pf 2.5p
Armitage Bros 35p
BPP 2.24p
Bank of New York O'seas Finance NV Gtd Fltg Rate Sub Nts Jan 1996 $172.5
Bell Canada Enterprises Inc 59cts
Brasway 1.25p
British Assets Tst 4½pcPf 1.575p. A 5pcPf 1.75p
Chrysler 35cts
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts 1982 $167.71
Collins (William) 2.6p. A 2.6p
Edinburgh Financial Tst 0.8p
Eldridge, Pope and Co 6¼pc Irrd Ln 3⅛pc. 7½pc Irrd Ln 3¾pc
Finland (Republic of) 11¼pcLn 2009 (Reg) 5⅝pc
Hallwood 28cts
McLeod Russel 8.4pc Cnv Red Pf 4.2p
Merton (London Borough of) 11¼pc Red 2017 5⅝pc
Metropolitan Water Southwark and Vauxhall Water 3pcDb 1½pc
Morgan (J. P.) 61.25cts. Idn (Iss Morgan Guaranty) 61.25cts
Motorola 16cts
Norcros 15¼pcDb 1990-95 7⅝pc
Occidental Petroleum 6.25cts
Pacific Gas and Electric 48cts
Quaker Oats 40cts
Ratners (Jewellers) 0.75p
Rexmore 13pc Cnv Red Pf 1991-92 6.5p
Richards 4pcPfd 1.4p. 5½pcPfd 1.44375p
Steetley 5.5p. 4½pcPf 1.575p
Tiphook 2.48p
Treasury 5pc 1986-89 2½pc
Treasury 10pcLn 1993 £4.8867
Utd Tech Fin (Neth Antilles) NV 12¼pc Gtd Nts 15/10/89 6⅛pc
Warner Estate 10¾pcPf 5.375p
Watney Mann and Truman 6pc Red Db 1989-94 3pc
Wells Fargo Fltg Rate Sub Nts July 1997 $177.29. Fltg Rate Sub Nts 2000 $51.56

THURSDAY OCTOBER 16

COMPANY NOTICES—
Forminster, Britannia Hotel, Grosvenor Square, W, 10.30
Newark (Louis), 143-149, Great Portland Street, W, 12.00
Stoddard, Glenpatrick Works, Elderslie, Renfrewshire, 12.00
Thermax, Moat House Hotel, Blackwell Grange, Darlington, Co Durham, 12.00
Utd Packaging, Queens Hotel, City Square, Leeds, 12.00

BOARD MEETINGS—
Finals:
Fleming Japanese Inv Tst
Kent (John)
Interims:
Billam (J.)
Brewmaker
Cowells
Hunting Assoc Inds
Micro Focus
London Atlantic Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Forminster 4.5p
General Mining Union Corp 80cts. 8.5pc Var Comp Cnv Pf 114.5cts. 12.5pc Sub Comp Cnv Dbs (Irrd) 168.75cts
London Utd Invs 6.5p
Mid Wynd Intnl Tst 1.4p
Pentos 0.22p
Queens Moat Houses 0.9p
Quick (H. and J.) 0.75p
Swansea (City of) 13¼pc Red 2006 6⅝pc
Treasury 2½pc I-L 2020 £1.4554

FRIDAY OCTOBER 17

COMPANY NOTICES—
Jos, 20, Fenchurch Street, EC, 12.30
Sheldon Jones, Royal Bath and West Showground, Shepton Mallet, Somerset, 12.00

BOARD MEETINGS—
Finals:
Free State Cons Gold Mines
Global
Scottish Met Prop
Orange Free State Invs
Welkom Gold Mng
Interims:
Arlington Secs
Ash and Lacy
British Drug
Comprehensive Financial Services
East Rand Gold and Uranium

DIVIDEND & INTEREST PAYMENTS—
Alliance Tst 7.5p. 4pcPf 1.4p. 4¼pcPf 1.4875p. 5pcPf 1.75p
Allied Irish Banks Fltg Rate Nts 1992 $355.83
Anglo American Ind Corp 16.1796p
Atlantic Computers 1.12p
Benlox 0.55p
Corah 1.6p
Courts (Furnishers) 2.95p. A 2.95p
Die Erste Osterreich Spar-Casse Sub Fltg Rate Nts April 1982 $359.01
Fleming Overseas Inv Tst 1.75p
Garfunkels Restaurants 0.215p
Hambro Countrywide 3p
Jones and Shipman 1.15p
Lec Refrigeration 4p
Lister and Co 1p
London and Gartmore Inv Tst 2p
Merchants Tst 2.1p
Newmark (Louis) 9p
Saker's Finance and Inc Corp 11cts
Second Alliance Tst 12.5p. 4½pcPf 1.575p
Sekers Intnl 1.65p
Smith (W. H.) and Son A 4p, B 0.8p
Utd Packaging 1.85p
Viewplan 0.84p

SATURDAY OCTOBER 18

COMPANY NOTICES—
Owen and Robinson, River House, Museum Street, York, 11.00

DIVIDEND & INTEREST PAYMENTS—
Conversion 9½pc 2005 4¾pc. Do A £4.4927
Nova Scotia (Province of) 11¾pcLn 2019 5⅞pc
Treasury 9½pc Cnv 1989 4¾pc

Trade fairs and exhibitions: UK

October 15-17
National Aid for the Disabled Exhibitions (0892 44027)
Alexandra Palace

October 15-26
British Motor Show (trade only 15-17) (01-235 7000)
NEC, Birmingham

October 17-19
International Property and Timesharing exhibition (01-387 7878)
Cumberland Hotel, W1

October 21-23
International Financial Services and Technology Exhibition (01-940 6065) Barbican Centre

October 21-24
London Business Equipment Show (01-405 6233) Earls Court

October 28-30
Instrumentation Conference and Exhibition — TEST & TRANSDUCER (0822 4871)
Wembley Conference Centre

October 29-November 2
International Bike Show (01-385 1200) Olympia

October 30-November 2
London Money Show — MONEY (01-948 5166). Olympia

October 30-November 2
Business Holiday and Travel Show (0272 215206)
Exhibition Centre, Bristol

November 9-13
International Woodworking Industries Exhibition — WOODMEX (01-486 1951)
NEC, Birmingham

Overseas

October 16-21
International Office Trade Fair—ORGATECHNIK (01-930 7251)
Cologne

October 19-27
International Equipment and Services for Hotels Exhibition—EQUIP HOTEL (01-439 3964)
Paris

October 20-24
International Market of Subcontracting Exhibition—MIDEST (01-439 3964) Lyon

October 21-25
International Forestry, Timber Processing and Woodworking Exhibition — WOODWORKING INDONESIA (01-486 1951)
Jakarta

October 28-30
Trade Fair for Clothing Textiles — INTERSTOFF (01-734 0543) Frankfurt

October 31-November 2
Skiing and Winter Tourism Exhibition (01-486 1951)
Helsinki

November 4-12
National Inventions — NIEX (01-439 0501) Seoul

November 6-9
Hong Kong Trade Fair—INDUSTRY (0206 45121) Hong Kong

Business and Management Conferences

October 14
The Royal Institute of International Affairs: Energy trends and control of energy costs (01-930 2233) Chatham House, SW1

October 15-16
FT Conferences, Electronic financial services (01-621 1355)
Hotel Inter-Continental, W1

October 15-17
British Consultants Bureau: World development—the role of consultancy into the 21st century (073065 711) London Hilton, W1

October 15-16
Club de Bruxelles: The future of television in Europe (Brussels 771-9890) Brussels

October 19-21
The Economist Conference Unit: Advanced manufacturing—making it work, making it pay (01-839 7000)
Intercontinental Hotel, Geneva

October 21
FT Conferences: Developing the Global Market for Equities (01-621 1355)
Merchant Taylors' Hall, EC2

October 22
The Royal Institute of International Affairs: Tradeable information — Europe against the world (01-930 2233)
Chatham House

October 22-23
The FT City Financial Series: Four half-day seminars on Technology, Marketing Security and Whither the Building Societies? (01-621 1355)
Barber-Surgeon's Hall, EC2

October 23
Confederation of British Industry: Getting Government grants (01-379 7400) Centre Point, WC1

October 27-28
Philadelphia Stock Exchange: 1986 International foreign currency options symposium (01-606 2348) Four Seasons Hotel, Philadelphia

October 29
Arthur Young Acquisitions and disposals (0272 290806) Bristol

November 2-4
Path fast: International floriculture seminar (02566 78755)
Hotel Krasnopolsky, Amsterdam

November 3-4
FT Conferences: The City after the Financial Services Act (01-621 1355)
Hotel Inter-Continental, W1

November 5-6
Club de Bruxelles: The future of Agriculture in Europe (Brussels 771 9890) Brussels
IBC: Third annual advertising and marketing financial services conference (01-236 4080)
Royal Lancaster Hotel, W2

November 6-7
BIS Applied Systems: Communicating with OSI (01-633 0866)
Kensington Palace Hotel

November 9-11
Confederation of British Industry: National Conference 1986 (01-379 7400)
Bournemouth International Conference Centre
FT Conferences: European Business Forum—Italy and the international economy (01-621 1355)
Rome

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Company Notices

Clubs

Art Galleries

FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK

Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiolettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 75981-0. Editorial: Guiolettstrasse 54. Telex: 416052. Telephone: 7598-157. New York Office: The Financial Times, 14 East 60th Street, New York, NY10022, USA. Telex: 238409 FTOL. Telephone: (212) 752 4500.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

Amsterdam: Editorial, Advertising and Circulation Singel 512, NL-1017 AX Amsterdam. Telex: 16527. Editorial Tel: 020-276 796. Circulation Tel: 020-239 430.
Birmingham: Editorial and Advertising George House, George Road, Edgbaston, Birmingham B15 1PG. Telex: 338 650. Tel: 021-454 0922.
Bonn: Editorial Heussallee 2-10, Pressehaus 11/104, D-5300 Bonn. Telex: 8869 542. Tel: 02221-210039.
Brussels: Editorial, Advertising and Circulation Rue Ducale 39 Hertogstraat, B-1000 Brussels. Editorial Telex: 23283. Tel: 02-512 9037. Advertising and Circulation Telex: 64219. Tel: 02-513 2816.
Buenos Aires: Editorial Edificio Sifco Piso 7, No. 74 Avenida Corrientes 456, Codigo 1366, Buenos Aires. Telex: c/o Reuters (London 24 145). Tel: 01-394 7696.
Cairo: Editorial PO Box 2040, Cairo. Tel: 751 482.
Copenhagen: Advertising and Circulation 44 Östergade, 1100 DK Copenhagen, Denmark. Tel: (1) 134441.
Dublin: Editorial 25 South Frederick Street, Dublin 2. Telex: 25414. Tel: 0001-603 378.
Edinburgh: Editorial and Advertising 37 George Street, Edinburgh EH2 2HN. Telex: 72484. Tel: 031-226 4139.
Frankfurt: Editorial, Advertising and Circulation Guiolettstrasse 54, D-6000 Frankfurt-am-Main 1. Editorial Telex: 416052. Tel: 069-75980. Advertising and Circulation Telex: 416193. Tel: 069-75980.
Geneva: Editorial, Advertising and Circulation 15 rue du Cendrier CH-1201 Geneva. Editorial Telex: 22589. Tel: 022-314 242. Advertising and Circulation Telex: 22589. Tel: 022-311 604.
Hong Kong: Editorial 7F Sutton Court, Harbour City, Kowloon. Telex: 57590 FTHKO HX. Tel: 3-722-5457. Advertising 802 Far East Exchange Building, 8 Wyndham Street, Hong Kong. Telex: 60408 Wadco. Tel: 5-266-84315.
Johannesburg: Editorial 706 Union Centre West, 52 Simmonds Street, Johannesburg 2001. Telex: 8-6257. Tel: 011-838 7545.
Leeds: Advertising Permanent House, The Headrow, Leeds LS1 8DF. Tel: 0532-454969.
Lisbon: Editorial Rua do Prior 31-33, 1200 Lisbon. Telex: 12533. Tel: 019-674 406.
Madrid: Editorial Espronceda 32, Madrid 3. Telex: c/o Reuters (London 24145). Tel: 91-441 6772.
Manchester: Editorial, Advertising and Circulation Queen's House, Queen Street, Manchester M2 5HT. Telex: 666 813. Tel: 061-834 9381.
Mexico City: Editorial Calle Diamarca 54-500, Col. Juarez, Mexico 6DF 06600. Telex: c/o Reuters (London 24145). Tel: 592 5822.
Milan: Editorial Piazza Cavour 2, Milan. Tel: 02-706 188/781 075.
New Delhi: Editorial 3 Sardar Patel Marg, Chanakyapuri, New Delhi 110021. Telex: 03131590. Tel: 011-374 308/011-376 484.
New York: Editorial, Advertising and Circulation 14 East 60th Street, New York 10022. Editorial Telex: 66390. Tel: 0212-752 7400. Advertising and Circulation Telex: 238409. Tel: 0212-752 4500.
Paris: Editorial, Advertising and Circulation Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: 220044. Editorial Tel: 010-33-4297 0625/6/7/8. Advertising Tel: 010-33-1-4297 0621/2. Circulation Tel: 010-33-1-4297 0620/0623/0630.
Rio de Janeiro: Editorial Avenida Rio Branco 45, Salas 2611/2612, Centro CEP 20090, Rio de Janeiro RP. Telex: 213 3593. Tel: 021-263 8845.
Rome: Editorial Via della Mercede 55, Rome. Telex: 610032. Tel 06-678 3314.
Singapore: Editorial Times House, 390 Kim Seng Road, Singapore 0923. Telex: 21239. Tel: 733 2511.
Stockholm: Editorial c/o Svenska Dagbladet, Raalambsvagen 7, S-Stockholm. Telex: 17603. Tel: 08-50 60 88.
Sydney: Editorial PO Box 182, Spit Junction, Sydney. Tel: 02-20924.
Tel Aviv: Editorial 10 Bar Giora Street, Tel Aviv. Telex: 341130/341619/33777. Tel: 03-286 672.
Tokyo: Editorial 8th Floor, Nikon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tokyo. Fax: 245 0358. Tel: 03-241 2920/2959. Advertising Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku, Tokyo. Telex: J27104. Tel: 03-295 4050.
Washington: Editorial Room 504, 1341G Street North West, Washington DC 20005. Telex: 440340. Tel: 0202-347 4920.

For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

THE ARTS

Intermezzo/Theatre Royal, Glasgow

Max Loppert

Intermezzo, which joined the Scottish Opera repertory on Friday, is the third Glyndebourne production by John Cox to have been borrowed for Scottish purposes—the other two were *Idomeneo* and *Capriccio*. As this performance was hardly more successful than its Cox predecessors, perhaps the policy of taking on intricate festival operas in high-flown festival productions not well suited to company usage should now be folded up for good.

The 1974 Glyndebourne show had, of course, the inestimable advantages of Elisabeth Söderström at her most gloriously theatrical, John Pritchard conducting the LPO, a brilliant new translation by Andrew Porter, and a long period of rehearsal in which to shine up every elegant nuance and witty detail of the Cox staging and the Martin Battersby sets and costumes. This was one of Glyndebourne's highest Strauss achievements—a work long held to be slight, marginal, and musically second rate, and here revealed as a quite special kind of opera, a *Konversationsstück* on domestic themes of close biographical relevance to the Strauss household that is also a tender and truthful operatic study of the marital state. (At the last Glyndebourne revival, in 1983, with Felicity Lott as Christine Storch and Gustav Kuhn as conductor, the feat was almost repeated.)

But on Friday all my own doubts about the work returned with a vengeance. Most of the music sounded like inexpertly reheated Straussian leftovers—though it was *clever* of him to provide the only really fresh bit, the glowing *cantabile* duet of reconciliation, right at the end, thus leaving the audience member with a genuine feeling of satisfaction to make up for all those previous *mauvais quarts-d'heure*. The balance of tiny scene and massive orchestral interlude seemed once again distinctly uncomfortable (perhaps that was because Friday's audience chattered loudly through almost every interlude). And, most awkward doubt of all, the playing of Christine was insufficiently vivid to soothe the nagging irritation of having to spend a whole evening with such a deeply unsympathetic, manipulative, and shallow central character.

This is not to say that the performance was entirely without good points. Alan Opie, in the role of the composer-husband, has done few finer things in his career: the voice is warm, strong, and easy in the difficult high-baritone vocal writing (is this a possible British Barak?); the playing is utterly exact, the manner urbane yet candid, the diction clear. Ian Caley, who was the 1983 Baron Lummer at Glyndebourne, is now far more confident as a young, well-born confidence trickster—and he too is in notably good voice. Kate Flowers, as the maid, provides a perfect cameo. The conductor, Stephen Barlow, is an experienced Glyndebourne Straussian; his control of the conversational ebb and flow so crucial in this work is admirable.

But on Friday the orchestral playing was often raw—Strauss's string parts are tricky, no question, but they shouldn't sound it quite so obviously. Among the smaller roles (all of them registered with delicious sharpness at Glyndebourne), there were dull contributions—the game of Skat went flat, in spite of the continuing pleasure to be had from the ingenuity of the Porter translation. The stage management of the whole performance left a lot to be desired; the Battersby sets appeared not to fit the stage very well.

And in her British debut the American soprano Beverly Morgan seemed to lack the magnetism required to transform dislike of Christine into sympathy and fascination. She sings clearly and with considerable musicality, in a lightish soprano with an unfortunate tendency to turn brittle under pressure. Her words are, of all on stage, the least clear (Strauss's admonitions on the subject in his *Intermezzo* foreword need to be urgently taken to heart). But, more than this, she gives off a feeling of detachment, of holding back, that simply won't do in this role. Christine is the opera's make-or-break — as here, alas, one realised all over again.

Fanfare for Tanglewood

Tanglewood — 400 New England acres of parkland, lawn, formal gardens, wood—is the summer home of the Boston Symphony. Ten weekends of orchestral concerts (on Fridays, Saturdays and Sundays) are given in the fan-shaped open-sided Music Shed, holding over 5,000 while perhaps 10,000 more people gather on the lawns around, to which the music is carried by loudspeakers. There's a 1,000-seat theatre, its back wall open to another lawn, where *Peter Grimes* had its American premiere; it's used now for midweek chamber recitals and the contemporary music concerts. In a wooden Chamber Music Hall, open on two sides, Phyllis Curtin's morning seminars are famous. Other buildings in the park are used for the many activities of the Tanglewood Music Centre, whose Fellows are young instrumentalists, singers, conductors, and composers learning their craft.

The heart of the Tanglewood Festival is a week of contemporary music performed by the Fellows. For years it was known as the Fromm Music Week; Gunther Schuller the presiding genius. Paul Fromm has now transferred his patronage to Aspen, Colorado; Leon Fleisher directs the Center, and this year's programmes were chosen (and mostly conducted) by Oliver Knussen, a Tanglewood Fellow in 1970 (when he was 18) and this year's composer-in-residence. The week began with his *Fanfares for Tanglewood*, completed the day before—bright calls from three brass groups, with bells and gongs. The premier was followed by a deuxieme, and then the first American performance of Knussen's *Coursing*.

Jonathan Lloyd's *Feuding Fiddles* arrived fresh from the Almeida Festival—a lively piece, composed as if for two country fiddlers who also know the Berg concerto, but a shade too politely played by Marta Szlubowska and Sara Perkins. Robert Saxton's Concerto for Orchestra had its first performance since the Prom premiere, two years ago, and Knussen's young players sounded more of the details making up its waves of mystic radiance than the BBC players had done. Alexa Zirbel rose bravely to the challenge of Simon Bainbridge's *Concertante in moto perpetuo*. Britten's Third String Quartet and Jonathan Harvey's *Mortuos plango, vivos voco*—a hit of the three electro-acoustic recitals, gathering work from IRCAM, Columbia-Princeton, Stanford, and MIT—completed the British contribution.

Danish "new simplicity" was happily represented by Hans Abrahamsen's *Märchenbilder* and Poul Ruders's *Manhattan Abstraction*. Louis Andriessen's Symphony for Open Strings produced remarkable new sounds and effects with those limited means. It's impossible to dislike Toru Takemitsu's music, but had to feel strongly in any way about his wispy, delicate, "intuitive" scores; Knussen, evidently a champion, billed *Rocking Mirror Daybreak*, *Water-Ways*, *Dream/Window*, and *From far beyond Chrysanthemums and November Fog*. In contrast, on a bill with the second, was Henze's new *Fandango sopra un basso del Padre Antonio Soler*—an exuberant, generous, exhilarating big-orchestra piece, destined for popularity.

Michael Torke's *Ecstatic Orange* had a like verve and energy. Torke, born in 1961, was the youngest of the American composers played. *Ecstatic Orange* is 12 minutes of moto-perpetuo E-mixolydian, based on a single bright tune that dances through the glittering texture, breaks into motifs and sparkling little canons, while the music passes through kaleidoscopic episodes: "Absinthe and apricot," "Terra cotta," "Unripe pumpkin." (Boosey publishes a study score.) Torke is an original: puzzling, rather as Lloyd and Arvo Pärt are, to anyone bored by Minimalism, glutted by neo-Romantic capitulations, yet charmed or stirred by music so bravely untroubled, almost naive, in its basic assumptions. An admirer of, say, Birtwistle's *Earth Dances* or of Elliott Carter's *Penthode* (which was played at the first concert) must feel inconsistent when praising *Ecstatic Orange*, or Henze's *Fandango*. But there it is.

Yehudi Wyner's thoughtful, glowing song cycle *On this most voluptuous night* (for soprano and seven instruments), and George Perle's poised, elegant Woodwind Quintet No. 4 (this year's Pulitzer Prize piece) were done. The two absolute premieres (Knussen's fanfares had recycled some earlier ideas) proved unmemorable: Alan Stout's *Cinq Visages de LaForgue*—five slow, delicate distillations — and Deborah Dratell's Double Concerto (violin, cello, nine instruments), with three intense, overwrought slow movements.

The policy of "compartmentalising" contemporary music—as also at the Edinburgh Festival this year—is sometimes questioned. But there is much to be said for playing such programmes to an eager, interested, not insubstantial, and steady audience. (Through the 30 mass-audience weekend programmes in the Shed, just Bernstein's Serenade, Knussen's *Music for a Puppet Court*, and Pärt's *Collage on B.A.C.H.* were scattered.) I enjoyed Knussen's programmes as at Edinburgh I enjoyed Alexander Goehr's. After the last of them (Torke, Saxton, Takemitsu, Ruders) the young orchestra set up a cheer of its own—"Ol-ly!, Ol-ly!"—for the inspiring young composer-conductor.

Andrew Porter

Arts Council Poetry Library to move

The Arts Council has decided to move its Poetry Library from its present home at 105 Piccadilly to the Royal Festival Hall, where some 30,000 volumes as well as cassettes and periodicals will be housed in the Waterloo Room. The move should take place in about six months' time.

"Sink the Belgrano!" moves to the Mermaid

Steven Berkoff's *Sink the Belgrano!* is to transfer from the Half Moon Theatre to the Mermaid for a limited season from October 30.

Architecture/Colin Amery

Two classicists

Not many architects are asked to design a temple in Persia to be "a cross between St Peter's and the Taj Mahal." Not many architects are sufficiently interested in classicism to study every page of Palladio for an hour because that "is the only way to learn anything."

Raymond Erith, who died in 1973, was the architect with such an intense knowledge of classicism that he and his partner Quinlan Terry were asked to design the Baha'i temple in Iran that would, if it had been built, been one of the wonders of the world. By the end of his life Raymond Erith was best known for his careful domestic classicism and his superbly executed drawings that annually lifted the visual quality of the Royal Academy's architecture room. He was, of course, the architect responsible for the repair and rebuilding of Nos. 10, 11, and 12 Downing Street, and he made a masterly job of it.

Some of Erith's drawings were recently lent for one week to the Hobhouse Gallery in London but his work is best assessed in the very thorough and fascinating book by his daughter Lucy Archer, which has just been made more widely available in paperback (*Raymond Erith, Architect*, by Lucy Archer, The Cygnet Press, paperback, £14.50). Whatever you think of the intellectual justifications for the continuation of classicism, this book is an insight into the mind of an architect who was always concerned that, "In the enthusiasm generated by war, discovery, invention and industrialisation, the means of producing real architecture was forgotten."

Erith found it hard to define what he called "the essential quality" of architecture but it was something to be found from the study of older vernacular buildings and in a slow and careful study of classical precedents.

Architects like Erith, and a few other survivors, understand the whole process of simple unpretentious buildings. Like Lutyens, he learned from master builders the value of the highest standards for the simplest, smallest building. Erith's design for a factory, warehouse and offices for a food manufacturer in Ipswich—which was never built—showed a Soane-like skill for enhancing a simple functional edifice. In his library for Lady Margaret Hall at Oxford the scale of the interior is perfectly scaled and lit for both books and people. The limestone oval tower known as The Folly that Erith built for Mrs Victor Willis graces the cover of this book and remains one of his most endearing buildings. The brilliant rebuilding of Jack Straw's Castle on Hampstead Heath is perhaps Erith's best known work—with a Gothic sparkle that makes it hard to believe that it was built in the 1960s.

In his daughter's book we are able to read many of Erith's thoughts as he jotted them down. It was sad that he never managed to write the book on classical architecture that he planned—but in many ways this book, showing as it does his architecture alongside his thoughts, makes an agreeably rounded biography.

Erith's pupil, partner and successor to his practice is Quinlan Terry. He has just been commemorated by a long and handsome monograph (*Quinlan Terry*, by Clive Aslet, published by Viking, £40) and an exhibition of his drawings (at Anthony Mould, 173 New Bond Street, London W1) until the end of October. Twenty large drawings look very fine in Mould's elegant first-floor gallery. The drawings include some of the great Baha'i Temple which Terry and Erith worked on together before Erith's death.

The exhibition provides a good opportunity to see the proposals that are now under construction for the riverside at Richmond by Haslemere Estates—the largest commercial scheme Terry has so far undertaken.

Quinlan Terry's country houses and garden buildings continue the sort of classicism that Erith produced but somehow his work is less disciplined and often lifeless. What is it about the classical language that it can flourish and grow in the right hands and become stagnant in others? If Quinlan Terry had been practising as an Edwardian architect would we have looked twice at his work?

He is of interest because he is a prosyletising classicist, he draws well and works in an Erith way, close to the builders and his materials. He is practical and careful, but often sadly dull. The position of classicism today is more complicated than the elegant drawings would have us believe. Classicism is not a style that we can look to for consolation in these troubled architectural times. We have to see it in a way that neither Terry nor Aslet seem to understand, as a living and changing part of the architectural discourse.

Stephen Petronio/The Place

Clement Crisp

Dance Umbrella has opened, and on Thursday showed us the first artist to be sheltered under it this year: Stephen Petronio, with his company of five dancers. New York-based, Mr Petronio presents himself in uncompromising terms with the initial item in his programme. This is a solo, *Number 3*, in which, with feet firmly rooted on one spot, he created a sequence of angular, spatic poses, like a man trying to release himself from some invisible but constricting garment. It may sound wilful when thus described; its effect, though, is to speak of a forceful choreographic imagination, and this impression is confirmed in the company dance which follows.

The Sixth Heaven, which dates from last year, encapsulates the Petronio style with rigorous power. The cast — three men, three women, clad alike in silver suits — fling themselves at the dance, and each other, grappling, plummeting to the ground, skittering in bold dashes of action across the stage. At the piece's heart are a couple of duets which are of rare merit: they look like the classic pas de deux of post-modernism, with traditional attitudes inverted or fragmented, yet sustaining them is a wild and perceptible logic and a choreographic integrity that rejects, or recasts, the received ideas of male/female double work.

The most extended offering of the evening is *Walk-In*, which dates from this year, and which repeats in more aggressive form the ideas already exposed. There is a score that pounds and roars, reggae-insistent and deafening, and it impels the dancers with sledge-hammer blows of noise that are matched by ferocious and angry blasts of physical energy, by brutal games that are played among the performers, and by an unrelenting dynamic drive. It is not as easy to enjoy as *The Sixth Heaven*, but it packs an unerring punch to the senses, and shows Mr Petronio and his excellent dancers as bold and gripping performers.

The Phantom of the Opera/Her Majesty's

Michael Coveney

Alastair Muir

Sarah Brightman and Michael Crawford

Andrew Loyd Webber's new musical opens quietly, with an auction of properties at the Paris Opéra House: a musical monkey, a broken chandelier. The story of the phantom is alluded to, the furniture undraped and the gilded Opera proscenium revealed. A riotously colourful dress rehearsal of "Hannibal" is in progress as two new managers survey the scene. An elephant come on. The chorus girl Christine Daaé is part of the background to Carlotta's aria, which sounds Meyerbeer-ish.

It is a stunning opening sequence in an evening that restores sex and romance to the modern musical, with a full quota of pulsating melodramtic tension as Christine is possessed by the opera ghost, abducted to his subterranean lake and torn between the needs of a freak and the loyalty of her childhood sweetheart Raoul, the Vicomte de Chagny.

The music maintains several linking motiffs and miraculously covers a range of 18th and late 19th century operatic pastiche and lushly orchestrated ballad owing much to Lloyd Webber's admired Richard Rodgers while preserving its own distinct, idiosyncratic sound.

The composer worked in the first place with librettist Richard Richard Stilgoe and the distancing prologue reflects their return to the Gaston Leroux novel: the key point is that Christine, devoted to the memory of her dead musician father, receives the phantom at first as her father's messenger, his angel of music, and misreads that function as a lover's overture.

In Leroux, Raoul overhears their latest encounter in a dressing room. That scene becomes the show's sensational launching pad, Michael Crawford's half-masked phantom materialising in the mirror and leading Sarah Brightman's entranced Christine to his candle-lit lake. The title number, with its panoply of descending rock chords and augmented seconds, bursts open. The couple disappear in a trap and then (thanks to sleight-of-hand doubling) emerge in flight at the top of the proscenium—the stage is now the sewer, the gondola the bridal bed, the great portcullis, a barrier against the world and its opera managers, prima donnas and second-rate composers.

I am not going to use this review to knock other less book-based and more high-tech musicals of late. But it is wonderful to see design and staging and gorgeous costuming once more elements endemic to theatrical narrative. The phantom was an inventor who constructed a magic palace for the Shah of Persia and has since occupied the building on which he was engaged as an engineer. His voice is everywhere, thrown around the boxes, warning the managers against giving Carlotta the lead. After the disruption of the *buffa* parody "Il muto," he follows Raoul and Christine on to the rooftops in one of Maria Bjornson's Opéra gilded decorations; without spoiling your fun, this is a moment of throat-grabbing excitement complementary to the initial raising of the chandelier which crashes from above the centre of the stalls to round off act one.

The stag picture is one of continual movement and speed, but nothing is fussy or clumsy in the changes. Director Harold Prince has arranged it all beautifully, moving the characters around and through Miss Bjornson's luxuriant but deftly manageable swags, curtains and, for the opening Act Two masked ball, a recreation of the Opéra's grand staircase.

The Phantom appears here as the Red Death, a detail in Leroux expanded to make a metaphorical point about the instinct to hide one's real face. The structure of the first half is repeated with a gripping complex vocal septet in the managers' office and a performance of the phantom's own Don Juan opera which he has brought to the ball. This work's ambitious stridency is punctuated with a lyrical duet between Christine (who is commanded to play the lead) and a cowled messenger. The final moments as Christine rips off the mask and the lovers' triangle is resolved in a descent to the lair and an emotional farewell, are almost unbearably moving. You would be well advised to have the Kleenex handy.

This, I have to say, is due not just to the power of the music, which gathers irresistibly, but to the performance of Michael Crawford, reasserting his pre-eminence as the outstanding star of our musical theatre. There is nothing flashy or grotesque here: an ordinary man in a beautiful white mask has a facial deformity but sings like an angel. Crawford measures his gestures and emotional leaks to perfection, humiliated and mortified when Christine rips off his Fu Manchu mask, devastated when she returns the ring and departs, as he would wish, with Raoul.

Miss Brightman needs to submit more to this spellbinding appropriation, but she reveals again a bell-like, cultured soprano that moves easily between rock and operatic idiom, rising smoothly to a top B-flat. Steve Barton's loyal Vicomte is a little too lined and wooden as yet. The best support comes from Rosemary Ashe's technically virtuosic and poisonously put-out Carlotta, and from John Savident and David Firth as the new managers and Mary Millar as the dancing mistress Mme Giry.

The work of new lyricist Charles Hart is more than promising. Gillian Lynne has staged the musical numbers with some finesse. The musical direction of Michael Reed is exemplary.

Leroux's Christine shoots to fame as Gounod's Marguerita, but the Faustian diabolic parallels are here confined to Mr Crawford's engaging and mysterious insinuations. This feast of a musical not only tells a great mythic story, it also restores a sense of experimental joy to the musical theatre and reveals Lloyd Webber to be as adept a romantic operatic composer as he has lately been (in his *Requiem*) a purveyor of full-blooded Orff-ian ecclesiastical permutations. The interest aroused by this score will be intense. Not for the first time, Lloyd Webber, like the phantom himself, keeps you guessing what might happen next.

Malcolm Arnold's 65th birthday celebrations

The English Chamber Orchestra and Music Society and the Park Lane Group will present a special concert in the Queen Elizabeth Hall to mark composer Malcolm Arnold's 65th birthday on October 21.

The composer will conduct a performance of his Guitar Concerto played by Julian Bream. Raymond Leppard will conduct the rest of the programme, which includes Malcolm Arnold's Flute Concerto No 2 with Richard Adeney, and music by Rodrigo and Rossini.

Ronald Crichton writes: for some inexplicable reason, in my notice in Friday's paper on *Simon Boccanegra* at Glyndebourne I substituted the name of the late Keith Erwen for Anthony Roden, who sang the part of Gabriele Adorno. My sincere apologies to Mr Roden.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 10-16

Music

NEW YORK

New York Philharmonic (Avery Fisher Hall): Luciano Berio conducting, Katia and Marielle Labeque duo-pianos, Aldo Bennici violin. Berio, Haydn (Tue); Klaus Tennstedt conducting, Alicia de Larrocha piano. Mozart, Bruckner (Thur). Lincoln Center (874 2424)

Merkin Hall (Goodman House): Bobby Short and Michael Feinstein, piano and singing recital with Jean Morris mezzo-soprano, dancers by Luigi. All Kay Swift programme (Tue); David Korevaar piano recital. Lowell Liebermann (world premiere), Schumann, Korevaar, Liszt (Wed); Boston Camerata conducted by Joel Cohen; Josquin, Cara, Tromboncino, Pesenti (Thur). W. 67th (362 8719)

WASHINGTON

National Symphony (Concert Hall): Guenther Herbig conducting. Weber, Schubert, Beethoven (Tue); Mstislav Rostropovich conducting. Aleksander Toradze piano. Walker, Rachmaninov, Dvorak (Thur). Kennedy Center (254 3776)

CHICAGO

Chicago Symphony (Orchestral Hall): Mark Elder conducting, Emanuel Ax piano. Elgar, Beethoven, Tippett (Thur). (435 8111)

LONDON

Royal Gala Concert with Charles Groves conducting the LSO in aid of the Save the Children Fund, with Jo Anne Pickens, soprano, Donnie Ray Albert, bass-baritone, Evelyn Glennie, percussion, and Alan Brind - winner of the BBC Young Musician of the Year 1985 - violin: Weinberger, Creston, Gershwin, Saint-Saens, Britten. Barbican Hall (Mon) (638 8891).

Philharmonia Orchestra, conductor Giuseppe Sinopoli, Andrew Shulman cello: Wagner, Haydn, Elgar. Royal Festival Hall (Mon) (928 3191)

Hallé Orchestra, conductor Stanislaw Skrowaczewski, Malcolm Frager piano: Beethoven, Shostakovich. Festival Hall (Tue)

Young Musicians Symphony Orchestra, conductor James Blair, Susan McCulloch soprano: Strauss, Mahler, Festival Hall (Thur)

NETHERLANDS

Amsterdam, Concertgebouw. Riccardo Chailly conducts, with Jaap van Zweden, violin: Rossini, Paganini, Dvorak (Wed, Thur) (71 83 45).

Rotterdam, De Doelen: Frans Brüggen conducting the Royal Conservatory Symphony Orchestra. Rameau, Haydn, Beethoven, (Wed). Recital Hall: Ther Vermeer Quartet of Chicago: Beethoven, Hindemith, Dvorak (Tue) (414 29 11).

Utrecht, Vredenburg, Recital Hall: The Vermeer Quartet of Chicago. Arriaga, Janacek, Beethoven (Wed) (31 35 44).

The Hague, Congresgebouw: The Hague Philharmonic conducted by Hans Vonk, with Nelly Skolnikova, violin. Arriaga, Mendelssohn, Beethoven (Thur) (54 80 00).

Scheveningen, Circus Theatre. Jubilee concert by the Hague Philharmonic Orchestra and Choir conducted by Jo Ivens: Honegger, Bruckner (Tue) (55 88 00).

TOKYO

Vienna Symphoniker, conducted by Kurt Wöss. Viennese music. NHK Hall (Mon) (403 12 80)

Munich Philharmoniker, conducted by Celibidache: Schumann, Mussorgsky. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Tue); Rossini, Richard Strauss, Brahms. Tokyo Bunka Kaikan (Wed) (571 1689; 986 6060).

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and light opera. Konzerthaus. (Tues, Thur)

Vienna Chamber Orchestra conducted by Philippe Entremont with Wolfgang Schulz, flute, Claudia Antonelli, harp. Mozart. Konzerthaus Mozart Saal. Matinees on Sat, Sun.

BRUSSELS

Palais des Beaux Arts (512 50 45): New York Harlem Opera Ensemble in Carmen Jones (Wed): Belgian National Orchestra conducted by Yuri Ahronovitch with Silvia Marcovici, violin: Glinka, Glazounov, Dvorak (Thur).

Conservatoire Royale (512 23 69): Jean Claude Vanden Eynden, piano: Beethoven, Liszt, Mussorgsky (Tue).

SPAIN

Madrid's Autumn Festival offers guitar concert by Manuel Barrueco to music by Cimarosa, Mozart, Sor, Henze and Granados. Sala Juan de Villanueva, Prado Museum (Tue) (468 09 50)

Barcelona's International Music Festival: Monday, La Scala Philharmonic Orchestra conducted by Carlo Maria Giulini, Brahms. Tuesday: Lieder concert by Peter Schreier (tenor), Norman Shetler piano: Beethoven, Schumann. Wed: Cracow Symphony Orchestra and Warsaw National Chorus: Penderecki's Requiem. Thu: Piano concert by Friedrich Gulda. Palau de la Musica Catalana, Amadeu Vives 1. (317 99 82).

PARIS

Georges Pludermacher, piano: Liszt. (Mon) Salle Favart (42 96 06 11).

Orchestre Colonne, conductor Kent Nagano, Jean-Philippe Collard soloist: Adams, Liszt, Tchaikovsky (Mon) Salle Pleyel (45 61 06 30).

Young Franco-German Philharmonic and Montjoie Choir, conductor Justus von Websky: Beethoven (Tue) Salle Pleyel

Jennifer Bate, organ: Messiaen (Tue) (45 25 15 16)

ITALY

Milan: Teatro alla Scala: Michi Inoue conducting flautist Roberto Fabbriciani and Tenor Keith Lewis in Benjamin Britten's Nocturne, Schoenberg's Five Orchestral Pieces, Jolivet's Concerto for Flute and Strings and Stravinsky's Symphony in Three Movements, (Fri). On Monday, the violinist Salvatore Accardo and the pianist Bruno Canino playing Richard Strauss's Sonata in D Flat Major, Stravinsky's Divertimento, and Carmen Fantasy by P. Sarasate y Navasquez. On Thursday, Wolfgang Sawallisch conducts Dvorak's Karnaval Overture, Hindemith's Mathis der Maler Symphony and Brahms's 3rd Symphony. (80 91 26)

Saleroom/Antony Thorncroft

Busy time in auction rooms

After a slow start the saleroom season gets into full swing this week with a shoal of important auctions. Clock collectors are well catered for with good sales at both Sotheby's and Christie's. On Thursday Sotheby's offers one of the first clocks to be fitted with a pendulum. These appeared in Holland around 1650 and this Dutch example, by Jan van Call, dates from 1657. It should make over £100,000. All the big names — Tompion, Wuare and the Knibbs—are included.

Christie's has two good clocks by Tompion; one, a walnut longcase of about 1680 should sell for £30,000, while an ebony bracket clock, sent to London from France, has a £20,000 estimate. A walnut longcase from Tompion's successor, George Graham, carries a similar forecast.

The main salerooms make things easy for collectors and dealers by bunching their auctions, so on Thursday Christie's sells icons and Russian works of art followed by Sotheby's on Friday. Icons remain remarkably cheap and, with the failure of the British Museum to acquire one of the finest private collections ever likely to appear on the market last year, our national institutions are woefully lacking in this important art form.

Choicest items at Sotheby's are an Italo-Cretan icon of Christ, Man of Sorrows, of the 15th century, and a Russian icon of the Virgin of the Sign, probably from the Imperial workshops and dating from the late 16th century. Both are valued at around £5,000.

At Christie's Russian decorative icons of the 19th century predominate. By this time the simple icon was covered with ornate enamel and parcel gilt ornamentation. Fabergé is well represented by gold cigarette cases, enamel lockets and an enamel and gold desk clock.

One of the most expensive books regularly to appear at auction is offered by Christie's on Wednesday—Gould's *Birds of Australia*. Published in eight volumes between 1848 and 1869 and contains 681 hand coloured lithographed plates, it was sent for sale by the trustees of the Fitzwilliam Settlement and should make around £75,000. From the same library come a host of expensive 19th century illustrated books including Gould's *Mammals of Australia* (around £30,000); Audubon's *Viviparous Quadrupeds of North America* (around £30,000); and Gould's *Birds of Asia* (up to £35,000).

An unusual item in this sale is a four-foot-long peepshow of the valley of the Rhine from Bingen to Boppart. It was produced around 1830 and is estimated at £500.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday October 13 1986

No way to open markets

WHEN CGE of France and ITT of the US agreed in July to combine their telecommunications equipment businesses under the effective control of the French group, there seemed grounds for hope that a more rational structure might at last be emerging to replace the rigid fragmentation which has long bedevilled the European industry.

Today, such optimism looks much less well founded. Indeed, the recent direction of events suggests that the plan could well conspire to perpetuate, rather than eliminate, some of the industry's most serious structural weaknesses and block progress towards a more open and competitive European market.

The proposed joint venture would have operations in a dozen countries and account for about one third of equipment sales in Europe. CGE has sought to present it as a Pan-European initiative, principally by offering minority shareholdings in it to other telecommunications manufacturers.

But its argument carries little conviction. In return for putting up large sums of money to help finance the deal, CGE's prospective partners fear they will gain little more than the right to watch the French state-owned group running the biggest show in town. Not surprisingly, there have been few takers.

Unbalanced deal

More seriously, little in the plan seems likely to speed the removal of the impenetrable barriers dividing national markets which are a major cause of the European industry's current problems. CGE's intention is not to sweep away these obstacles but to circumvent them by securing direct access to ITT's existing customers, particularly for digital telephone exchanges. Once firmly entrenched behind the ramparts, it could have little commercial interest in seeing the barriers lowered to admit rivals which would challenge ITT on its protected markets. All the less so since the Herculean task of integrating ITT's System 12 exchanges into its own product line threatens to stretch CGE's resources to the limit and render it acutely vulnerable to increased competition.

The unbalanced nature of the deal has aroused concern elsewhere, notably in West Germany where SEL, ITT's largest manufacturing subsidiary, has won valuable public orders for System 12. The Bonn Government is insisting that France offer reciprocal concession to the German telecommunications industry. But the most obvious and positive option—a straightforward opening of the French market—is not on the cards. Instead, discussions are turning on whether Siemens, the biggest West German electronics group, should be allowed to acquire CGCT, the state-owned French equipment manufacturer.

Excess capacity

The French Government is seeking a bidder ready to take over CGCT, a heavy loss maker which owed its survival largely to state support. Its main attraction to foreign suitors—of which there are several—is its 16 per cent share of the French public switching market. This has been achieved not by CGCT's own commercial enterprise but because the company is guaranteed orders by the state.

France's attempts to preserve an uncompetitive producer in an industry already glutted with excess capacity are questionable enough but the prospect of a political deal, whereby France would buy off German objections to the planned CGE-ITT merger by allowing Siemens to take over CGCT, raises still more disturbing issues. Such a trade off would amount to a cosy market sharing arrangement, deliberately contrived by governments for the benefit of their national industries. It would risk creating a mutually re-enforcing access between the two largest telecommunications markets in Europe, to the virtual exclusion of suppliers from other countries.

That is no way to build a common market or a competitive European industry. It is a throwback to the flawed policies which are responsible for so many of the industry's problems today. Consistently, European governments have put the short-term interest of suppliers above the longer-term objective of a free and open market. The result has all too often been myopic, companies barely able to walk without government support.

Inevitably, opening European telecommunications markets would produce losers as well as winners. That is no reason to shrink from the task. It is a vital characteristic of healthy economies that inefficient producers are regularly weeded out. Europe will never create vigorous industries if it continues to labour under the illusion that they can be competitive without having to compete.

House prices and reality

THE BELIEF that house prices in Britain can only go upwards has exceptionally strong psychological roots. Understandably so, in a small, over-populated island, densely hedged about with planning and rent controls, where people have seen the annual rate of increase in retail prices top 20 per cent under both Labour and Tory governments during the past dozen years.

Hence the stir caused by Mr Robin Leigh-Pemberton, the Governor of the Bank of England, when he warned last month that no economic law dictated an ever-rising trend in house prices. Subsequent events have, however, made his warning look all the more timely.

Last week's sterling crisis serves to underline the unusual macro-economic background to the recent build-up in the personal sector's indebtedness, which is one of the main engines of the house price boom. Such indebtedness has increased from about 40 per cent to 70 per cent of disposable income since 1979; over the same period the proportion of disposable income devoted to debt service has nearly doubled.

The starting point is significant because 1979 saw the removal of exchange controls and the beginning of the big build up in North Sea oil revenues. In the ensuing period the balance of payments failed to impose its traditional constraint on demand in the British economy and thus on consumer borrowing.

At the same time deregulation in the housing finance market, together with the increased importance of variable rate lending, meant that monetary policy ceased to operate on the economy primarily through the housing sector. Instead, manufacturing bore the brunt of the impact via the exchange rate. The manufacturing sector also saw its fiscal advantages reduced, relative to the housing sector, as a result of the phased removal of capital allowances while relief on mortgage interest remained intact.

There is now good reason to question whether this configuration of circumstances will be maintained for much longer. Not only is the balance of payments constraint threatening to reassert itself with a vengeance, but the Tory party conference last week threw up some interesting straws in the wind in relation to the underlying housing market.

The first concerned tax relief on mortgage interest, whose abolition Mrs Thatcher regards as an exceptionally potent vote-loser. Others regard it as one of the most potent contributors to house-price inflation. It was, therefore, noteworthy that Mr Michael Heseltine, albeit from a position outside the cabinet, was prepared to make a courageous call at the conference for phased removal of the relief.

Climatic change

Also noteworthy was the readiness of a Conservative housing minister to talk of grasping hitherto intractable nettles in the rented sector. Mr John Patten's rhetoric, which referred to the restoration of "the right to rent," was perhaps more radical than his actual proposals. Deregulation is to come in steps, with the increasingly free market applying only to new lettings by landlords, who would be required to register with the Department of the Environment.

It would be unwise to translate these pointers into specific forecasts at this stage. While Mr Patten promises to bring more property into occupation through his liberalising measures in the rented sector, he also wants to see 1m more home-owners over the next five years. In the mortgage market, deregulation continues to have an impact. National Girobank is to join the throng; Barclays, whose chairman recently warned of the risks of imprudent consumer lending, has just decided to advance mortgages on second homes; foreign institutions are increasingly active; and the building societies will be allowed to make unsecured loans from next year.

But it is not unrealistic to detect a change in climate. And in a market where variable rates of interest transfer the inherent risk from financial intermediaries to borrowers, the upward trend in arrears and defaults merits attention. Excess, as the Governor hinted, could ultimately cause prices to react.

DENG'S CHINA

Long, long march to change

By Colina MacDougall

NEARLY 200 years ago, when the austere Lord Macartney led the first official British trade delegation to Peking, it took many months for news of the failure of his mission to reach England. Today, at the start of a much more auspicious visit, that of the Queen, it is possible to pick up the telephone in London, dial direct to Peking and within seconds speak to people in the Chinese capital.

After centuries of seclusion, China's relations with the outside world are now relatively close. Peking is friendly to the West, and its 25-year hostility to the Soviet bloc is easing. The future of Hong Kong is settled to its satisfaction, and the Taiwan problem, though an irritant, has been temporarily shelved.

With modern telecommunications, international flights, a large resident foreign community and millions of visitors, China may soon join the global village.

As the Queen tours China this week, the first reigning British monarch to do so, she will see important signs of change. In the last ten years huge areas of Peking have been rebuilt. Other cities have had a partial facelift, with hotels and apartment blocks rising like obelisks out of a sea of one- and two-storey buildings.

Foreign businessmen, tourists and student backpackers criss-cross the country by air, rail and motorbike. Limousines and markets clutter the streets, some urban families own colour TVs, cassette players and fridges, and the press, film and theatre are more inventive and sometimes more critical than ever.

While China is still well behind the rest of East Asia, it may at last be entering the 20th century. Unlike Japan, it has hitherto proved unreceptive to new ideas and fixed in its own culture. The last years of the Qing Dynasty (1644-1911) were dominated by the reactionary Empress Dowager, who resisted modernisation in the crucial years of the late 19th century. Given China's size, poverty and isolation, it was never going to be easy to bring in new ideas. Repeated doses of revolution, banditry, invasion and civil war this century have not made progress any easier.

Even without these upheavals, the bureaucracy and nepotism which spring from centuries of rule by officials and respect for family ties would have conspired against new ways of thought and new technology.

The crucial questions now are, how far have octogenarian leader Deng Xiaoping's reforms gone, will they endure the next generation of leaders, and do they have any kind of cultural base in China to help them last?

Since 1978, Deng has set about introducing far-reaching reforms: in farming, in the urban economy and in politics. The simplest, in agriculture, which returned the land to the peasants, is working quite well. In the urban economy, where reform meant introducing managerial responsibility and free market, instead of party, control, it is in trouble. The most important, reform, in politics, subjecting the party and government bureaucracy to public scrutiny, seems unlikely to get off the ground

Many Chinese recognise that no lasting change is possible unless officials are made to answer for their actions on a routine basis. Last summer the topic of political reform surfaced in a press discussion of a "checks and balances" system generated by the huge public scandals of corruption and nepotism last year. One writer cited the Watergate affair as an example of how even the most powerful could be challenged.

But the chances of the party allowing this seem slim. A senior Chinese official has said these were only "scholars' views," and Deng has noted that it was too late to include political reform on the recent Central Committee's agenda. The discussion has now shifted to the less controversial topic of restricting the party to a policy-making role and allowing the Government to run the day-to-day administration.

In the country which invented bureaucracy, attempts at modernising it have so far proved unsuccessful. In imperial times the power and prestige of an official was high, and this factor has expanded under Communist domination. Last month, the Chinese magazine Liaowang railed against "administrative interference disease" which it said had reached "epidemic proportions."

Deng tried several years ago to streamline the bureaucracy and retired many of the elderly, but to keep pace with the mushrooming trade and legal systems needed for even the present level of development, thousands of new organisations have sprung up. Since the party membership has recently grown from 40m a few years ago to 44m now, its role seems unlikely to shrink.

In urban economic reform, the devolution of power to factory bosses that was supposed to happen two years ago was reversed when the economy soared out of control last year, and in major factories there now seems little change from pre-reform days.

The pricing system, which Peking began to reform last year, was frozen after inflation struck. Industrial prices, many of which are heavily subsidised, have hardly been altered. Food prices, allowed to float in 1985 to persuade the peasants to produce more, are now controlled. "Yet, this is a free market," explained one earnest Tianjin official recently, pointing to a row of stalls. "But the prices are not allowed to rise above the fixed level."

Certainly, one essential tool of the reform has failed to materialise. The bankruptcy law, under discussion a few weeks ago, has been deferred for further consideration. One factory was allowed to go bankrupt in a blaze of publicity, but it is likely to be the last for some time. On top of that, the new labour regulations, which involve changing China's traditional system of permanent jobs to one of contract labour, are proving unpopular because of the unemployment they will cause.

On China's farms the reforms have gone much deeper. Though the peasants are not convinced the new system has come to stay, a return to the old one would be enormously unpopular and risk violent dissent. The disbanding of the communes, the freedom to select which crops are grown, to join one of the new rural factories or to run a private business, have begun to solve the employment issue for the 800m peasants with too little land and boosted crucial food production to an acceptable level.

In the field of foreign trade and financial investment it would also be difficult for anyone to undo Deng's reforms. China now belongs to both the World Bank and the IMF, and the Bank of China is deeply tied into world money markets. In trade and investment there are thousands of agreements and contracts, some of them with years to run.

There is also infinitely more awareness in China than 10 years ago (though still only within an élite) of the value of modern technology which it needs but cannot make itself.

If anyone can set China permanently on the road to modernisation, it is Deng. When he came to power, the country was recovering from 20 years of upheaval in the Great Leap Forward and the Cultural Revolution. Since 1976 the country has enjoyed a decade of peace and economic growth probably unrivalled this century.

Deng has evolved a degree of compromise among the leadership which has allowed experiments with economic reforms even when problems such as last year's inflation and corruption scandals made him vulnerable. This consensus and continuity provide a basis for some change.

But there are signs that the conservative Marxist opposition, which prefers a conventional centrally planned Communist state with slower economic progress, is not yet dead. At the senior level, some leaders are unhappy with the money-grubbing and unethical practices to which Deng's reforms have led. The party's Central Committee last month produced a resolution urging the building of a moral socialist culture to stem that tide.

While none of the reformers objects to that in principle, they have always believed that only powerful material incentives could galvanise the torpid economy and, on its own, the new note of idealism would be unlikely to do so.

Peking: the new consumerism

Conservatives on the lower rungs of the bureaucracy prefer the traditional local boss role partially lost under the reforms, would like to go back to it at the first opportunity. As soon as something goes wrong in the countryside, said the China Daily last month, rural officials "revert to the former production and distribution systems"—a polite way of saying they order the peasants about and seize their crops.

Equally, domestic trade officials take every chance to suppress the new small businesses. "Influenced by old ideas, many people have prejudices against those engaged in commerce, and in some localities their legal rights and interests are not guaranteed," the People's Daily revealed recently. The newspaper noted a consquent fall last year of nearly half a million people engaged in private business.

Because of these pressures, without Deng, the future looks uncertain. His heirs, among them Hu Yaobang, party general secretary and Zhao Ziyang, the Premier, are experienced men with some understanding of the outside world and modern economics. They would probably run China the way he has done, broadening the economic reforms but making periodic concessions to conservative leaders to maintain a consensus. But this implies a leader with Deng's charisma to hold together a vast and diverse country.

None of China's potential leaders appears to have that degree of weight. A likelier scenario is for government by committee, still reformist, but less decisive and influential. The massive bureaucracy could negate reform simply by inactivity, and a feeble leadership might be swamped by intrigue and corruption. A re-run of the Cultural Revolution is unlikely, but unless Deng can bring in a real measure of control over arbitrary officials, China could again head off down some not altogether rational road.

At the deepest level, the permanence of Deng's changes must depend on how far they can take root in the existing culture. In the first half of this century, only a few Chinese travelled abroad to absorb new ideas, and since 1949 their influence has been small—apart possibly from Deng himself, who went to France at the impressionable age of 16.

But since 1978, thousands of young Chinese have gone to America or Europe to study. While many will probably join the ranks of China's elite decision-makers, they may not be enough to change the essentials of China's social and cultural traditions. Whether the trappings of modernisation that Deng has introduced can survive his exit, any more than similar trappings in Iran survived the Shah, remains to be seen.

Foreigners, and sometimes Chinese themselves, point to Hong Kong and the Overseas Chinese communities as examples of how Chinese can create their own modern cultures and thrive commercially in a free-market setting. It is certainly true that southeast China, from which most Overseas Chinese hail, is today buzzing with money-making activities to which the locals have readily taken.

But, unlike the landlocked interior, for centuries the southeast has traded with foreigners and given them houseroom. Their cities have also accommodated continuous foreign settlement from the Arabs in the first millennium onward. The hundreds of millions in the interior of China may turn out not to have so much in common with the entrepreneurial Overseas Chinese of Hong Kong and Singapore.

Attitudes to the permanence of the reform within China are thus hopeful rather than confident. "The peasants are afraid our policies will change, and so are the intellectuals," said Wang Ruoshui, former deputy editor of the People's Daily, in a recent article. There may be the irrational fears of those who have just woken up from a nightmare or anxieties based on a deep understanding of the real China.

When Her Majesty this week visits the ancient defences of the Great Wall or the vermilion courts of the Imperial Palace in Peking, she may in fact be seeing truer symbols of today's China than the modern office blocks and telephone exchanges which still jar against the skyline.

Men and Matters

Reagan sees the papers

An outbreak of foot in the mouth spread quickly through the Russian and American delegations in Reykjavik as press spokesmen and interpreters tried to satisfy the needs of the biggest press corps Iceland has ever seen.

The Soviet translator at the Kremlin's first press conference was an early casualty. He has not been seen since. His successor has survived so far. But he too could well find himself shipped off to Moscow's school for failed translators.

"The rest of your question was based on a misunderstanding" was his rendering of a particularly blunt Russian response to an American question on Star Wars technology fielded by top Soviet official Georgy Arbatov.

Arbatov wasted no time putting the record straight. He followed the interpreter. "Your question is based on technical nonsense and slander," he snapped in quite undiplomatic language.

Next came the sad case of the top American official attempting to grapple with the daunting task of telling the White House press corps what Reagan and Gorbachev might be talking about, without actually telling them anything.

He was reminded that at the Geneva summit reporters were told what the agenda was. "Is there an agenda for this meeting?" he was asked.

"I think the people who ask that question probably don't have very much experience with the way these meetings go in practice," the official replied bravely. He went on to explain that in Geneva the two leaders "began talking about things ... and they actually got very mixed up in the various sessions."

A gale of laughter greeted this particular contribution to greater understanding. The flustered official was left explaining, as best he could, that what he had intended to say was ...

White House spokesman Larry Speakes may have carried off the foot in the mouth trophy, however.

Running through the President's schedule he said: "He was up at 8 o'clock with his daily intelligence briefings, looked at the local papers, and ...

"Is this more White House disinformation?" asked a pair of alert and incredulous journalists. "Larry, there are no so-called papers in English here."

"What did I say?" retorted a triumphant Speakes.

The penny dropped. The reporter admitted: "You said he looked at them. You didn't say he read them."

"See," said Speakes, enjoying the moment. "When you have been in this business a long time you learn there are words and there are other words."

Midland's cover

Should we detect the hand of Sir Kit McMahon in the appointment of Ian Hay Davison as a director of the Midland Bank?

Sir Kit, who has just taken over as chief executive of the clearing bank, knows the former chief executive of the Lloyd's insurance market well. As deputy governor of the Bank of England, McMahon was closely involved in the choice of Davison in 1983 to bring some order back to the scandal-ridden institution.

Since then Davison has cemented the relationship by persuading Sir Kit to become a member of the board of trustees of Covent Garden, which raises money for the Royal Opera House.

Davison resigned from Lloyd's earlier this year and returned to his old accountancy firm of Arthur Andersen—but as an adviser rather than a partner. That was because he wanted to be free to accept directorships. His others are the new newspaper, the Independent, and Morgan Grenfell Asset Management.

Not that Midland's earlier problems with Crocker Bank are likely to require Davison in his troubleshooting role. "I observe that matters are much on the mend at Midland. It will be interesting to see developments there," he commented cautiously after attending his first Midland board meeting.

"Kenneth Baker's reforms have started—we can only smoke behind the bike sheds from now on."

Man of fashion

Howard Phelps gave up his usual weekend in the country to watch the catwalk presentations of the British Designer Show at Olympia, the top fashion event of the year in Britain.

Phelps is just two weeks into a new job as a director of P & O, after spending 14 years with British Airways where latterly he was director of operations.

P & O may be best known for its ships but it also has an important stake in exhibition halls. It owns London's Earls Court and Olympia.

He is not a complete stranger to the world of fashion. At BA he was twice responsible for introducing a new range of uniforms working with the designer Calvin Klein. "I learned one thing from that time," says Phelps. "Whatever we did, half the staff would like the change and the other half would not."

The Designer Show is only one of the 85 annual exhibitions for which he is now responsible.

Fashion, he says, is an important element in the total exhibition list. "I shall get round to seeing them all in turn, though the fashion shows particularly interest me. Fashion is always with us—unlike some of the other show themes which come and go."

In particular he sees the fashion shows as an important weapon in the fight to raise the image of both Earls Court and Olympia.

The Olympia exhibition hall, opened 100 years ago, has often been criticised as old-fashioned. Phelps points to the £20m spent recently on Olympia and Earls Court and claims they are as good as any of the heavily subsidised centres on the continent.

Unqualified

Those first awkward moments of an audience with the Chinese leader Deng Xiao Ping are a true test of wit as the Queen has presumably discovered.

The former US President, Richard Nixon, an "old friend" of China, suggested to Deng during a meeting late last year that Deng was fortunate to have impaired hearing so that, "you can only hear what you want to hear."

Deng has just met the US Secretary of Defence Caspar Weinberger, and the US ambassador to Peking, Winston Lord.

The Chinese leader, who is a chain smoker, offered Weinberger and Lord the Panda brand cigarettes of which he is so fond.

Both guests refused the offer, and Deng suggested that "you are both good persons."

Lord said that having been a minister of health he does not smoke. Weinberger said that even though he hasn't been a health minister, he doesn't smoke.

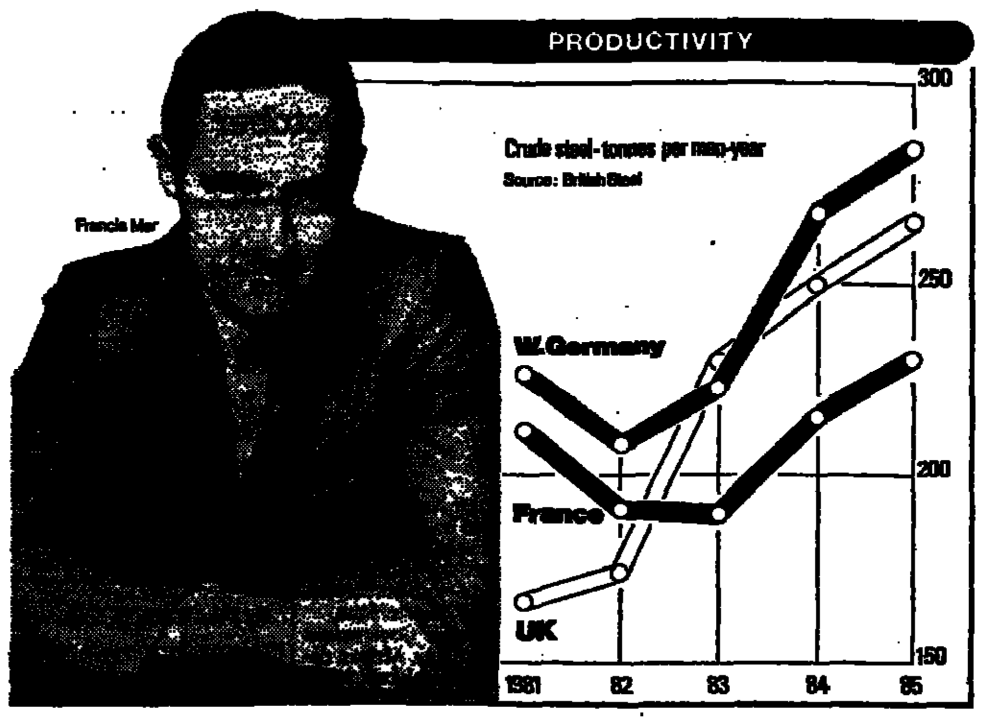
Cigarette in hand, Deng observed: "It is a pity that I have never been a minister of health."

Observer

FRENCH STEEL INDUSTRY

Uphill battle to hold its own in Europe

By David Housego in Paris



THE FRENCH steel industry has been a graveyard for managerial reputations. Five chairmen have presided over the two state-owned groups in as many years. Each has received a cold farewell from the government of the day.

Mr Francis Mer, who has just taken over as head of both Usinor and Sacilor, is the first man to be given responsibility for the two groups together. With the whole of the state steel sector under his control, at a time when the most difficult phase of restructuring is probably over, he stands more chance of making a success of the job than his predecessors.

Like its counterpart in Britain, the French steel industry has suffered over the past decade from bad investment decisions, political interference and the lack of a consistent strategy in adapting capacity to demand.

Just as the Labour government of 1974-79 slowed down the process of rationalisation in Britain, so the arrival of the Socialists in France in 1981 served to delay closures that were needed—at least until 1984 when a more rigorous policy began to be implemented. In terms of output per man, the French industry overall remains one of the least efficient in Europe, behind West Germany and Britain.

The government of Mr Jacques Chirac has given Mr Mer two main tasks. The first, in the words of an official of the Ministry of Industry, is "to restore the competitiveness and profitability of the steel industry as rapidly as possible with a view to its eventual privatisation."

The emphasis on privatisation — still only a distant glimmer on the horizon — is to show that Mr Mer's brief goes beyond halting the drain that steel represents on the Government's finances. He must work towards establishing a steel industry that can hold its own in a Europe that is phasing out subsidies and quotas.

When they came to power in 1981, the Socialists bucked the general trend in Europe towards restricting output. Whereas the EEC imposed a crisis regime of quotas and capacity cutbacks in 1980, France drew up plans to expand production. Decisions taken the following year to reduce the working week from 40 to 39 hours and introduce a fifth shift to raise manning levels also pushed up costs and productivity.

Mr Mer's other task is to prevent the labour conflicts that have plagued the industry in the past, and which could damage the Government in the run-up to the 1988 Presidential election.

The redundancies and closures of the last few years have demoralised the labour force, another factor which weighs on productivity and costs. But, as recent demonstrations against closures in the French shipyards have shown, the Communist-led CGT, the largest steel industry union, is still seeking a major confrontation with government.

Mr Mer has taken over at a time when both steel companies are still in the red. Cumulative losses by the two groups over the five years up to 1985 have totalled FFr 38bn (£4.05bn). The deficit is now falling with combined losses this year expected to be under FFr 4bn, against last year's FFr 8.9bn. But the industry is not expected to show a profit before 1989.

This fragile financial situation in part reflects the fact that restructuring in France began long after it had started in the rest of Europe.

The expansion plan was never implemented — it fell foul of the large public expenditure cuts of 1983. But having geared the industry up for an increase in output, it proved difficult to engineer a change in direction.

Cutbacks in capacity thus have been concentrated in the past three years — in the wake of the adoption of a revised steel plan in March 1984. By the end of last year France had cut 5.4m tonnes of hot-rolled capacity from the 1980 level of 28.9m tonnes — or marginally more than that required under controlled restructuring of the European steel industry. In addition, France agreed to a further 745,000 tonnes reduction last year in return for EEC approval for a plan to provide an extra FFr 30bn of assistance to the industry spread over the 1985-87 period.

Production now is expected to fall to 16m tonnes by 1990 from this year's anticipated level of 17.8m tonnes. But even at this level further cutbacks are likely to be necessary.

None the less, the European Commission no longer thinks that overcapacity is the French steel industry's most serious problem.

Parallel with these reductions in capacity, the workforce has been cut from 90,000 at the end of 1984 to 75,000 at the end of last year. Under plans approved by the European Commission, a further 10,000 jobs will go this year and 10,000 more next year. The goal is to reduce the numbers employed in steel making to 50,000 by 1988. Mr Mer will face the challenge of seeing that the remaining reductions take place smoothly.

Despite these sharp cuts in capacity and the labour force, French steelmaking suffers from other handicaps that weigh on costs. The most important is the low quality of mineral-ore in Lorraine — France's eastern steel-making region. Steel produced in Lorraine from local mineral-ore—rather than scrap metal — accounted last year for 29 per cent of French output, or 5.5m tonnes. Of this, 2.3m was produced by Sollac, Sacilor's flat products division, largely for French and German car manufacturers. Long products (bars, beams, rails and wire rod), for which prices and demand are weaker, accounted for the rest of the 5.5m.

Under current cost-cutting plans, the Longwy steel plant, which relies on low quality Lorraine ore, is to be closed. A new, more efficient, electric-fired mini-mill, fed by scrap metal instead of ore, has just come on stream at Neuves Maison, and another is due to be built at Longwy.

But the most ambitious scheme to cut losses in Lorraine was that initiated by Mr Claude Dollé, the former chairman of Sacilor. This involved an eventual merger and joint rationalisation of Sacilor's long products division with Arbed-Saarstahl, the loss-making West German producer—thus setting a precedent for restructuring at a European rather than a national level.

But both Sacilor and the French government appear to be backing away from the plan. Paris fears it will end up financing Arbed Saarstahl's losses, and that the scheme will involve heavier cuts in capacity and employment in Lorraine. But the price of not going ahead is that Sacilor will need to widen its product range by building a new wire rod rolling mill at Gandrange at a cost of about FFr 400m. This will both add to European capacity and directly compete with Arbed Saarstahl's plant in the neighbouring German province of the Saar.

The industry's second major handicap has been the obsessive rivalry between the two state-owned steel groups. This reflects a deep antagonism between the steel-making regions of Lorraine (where Sacilor has its base) and the North, the home of Usinor.

The government's decision not to merge the two groups—because of the employment cuts that rationalisation would have entailed, and because of pressure from the car manufacturing industry to maintain competition among its suppliers—has had a number of negative results. Investments and research facilities have been duplicated, as has spending on overheads. Mr Jean Gandois, called in by the Chirac government to advise on the steel sector (he has since become chairman of Pechiney, the French aluminium group) believes that the two groups have so concentrated on outmanoeuvring each other that they have lost sight of the possibilities for competition elsewhere in Europe and the world.

The Socialists moved to limit the damage of this rivalry by merging the long products and engineering steel divisions of the two groups into two new companies, Unimetal and Ascometal. Control of both has been transferred since to Sacilor.

Mr Mer's dual appointment is a further step in the same direction. The aim is to co-ordinate strategy, investment and marketing, to achieve savings on overheads and reduce diplication of facilities. It could lead to the setting up of a single holding company ,and eventually a merger. But for the moment Mr Mer is thought likely to maintain the separate identity of the two producers to appease regional feelings.

The third major problem of the industry is one of management. Changes in policy and leadership, as well as closures and job cuts, have left management as well as the workforce demoralised. Though the integrated coastal mill at Dunkerque — France's largest with a capacity of 4.5-5m tonnes —has benefited from heavy investment in recent years poor management has meant that yields of both energy and steel remain relatively low.

There are points of strength, whatever the weaknesses. Solmer, the other coastal integrated plant at Fos, near Marseilles with a capacity of 2?2.5m tonnes is one of the most modern and efficient in Europe. Dunkerque, once its management has been ipmroved, could also rank with the leaders.

Mr Mer's experience of turning around Pont a Mousson, the pipes division of the glass and engineering group Saint Gobain, should help him m tackling the task ahead. The Ministry of Industry insists that he will be given a free hand in the steel sector—though that remains to be tested. The Government may also be inclined to bend EEC rules restricting state aids to steel by providing some assistance in financing investments.

Mr Mer has given himself several weeks to make his own diagnosis of the industry's problems. But his friends already says he wears a confident look.

Lombard

The way to sell Radios 1 and 2

By Samuel Brittan

THE BEST known recommendation of the Peacock Committee, and the one which first leaked, was its majority support for the sale of BBC's Radio One and Radio Two—the "pop" and popular stations respectively. These would be financed by advertising. The whole committee agreed that the BBC should at least have the option to privatise these stations and also "local radio in whole or in part."

So far, I have been reluctant to discuss this recommendation lest it divert attention from the committee's main conclusion that "British broadcasting should move to a sophisticated market system, based on consumer sovereignty." This goal will be served most by longer term developments in cable, satellite and Pay-TV, which so far seem to have their main application to television.

Moreover even if we stick to the committee's short-term recommendations for radio, the most far reaching one is not the privatisation of the two BBC stations but the suggestion that "any further radio frequencies becoming available should be sold to the highest bidder." This recommendation would at least discourage the kind of agit-prop applicants which some Ministers feared would dominate Community Radio. The associated suggestion, that IBA regulation of radio be replaced by a "looser regime such as the one operated by the Cable Authority" was endorsed unanimously.

But having said all this the privatisation of the two popular radio stations is at least a step in the right direction. It emphasises that market provision is the norm and that the onus of proof is on those who advocate tax financed provision by means of the licence fee. The valid arguments for such finance relate to public service in the strict Arts Council sense and to the inability of advertising-financed channels to satisfy minority or intensely felt preferences. Partly because radio listeners can receive far more channels than the television watcher, these arguments apply far less to radio—so long that is as Radio Three and Four exist in their present form to provide the additional "range and quality."

What exactly would the BBC sell? At a minimum the property rights to the frequencies used by Radios One and Two. These are at present held by the Crown but made available to the BBC. Implicit in the Peacock recommendations is the handing over of these rights (whether in perpetuity or by a long lease) to the BBC for resale.

Part of the package would also be existing contracts with broadcasters—as in any normal commercial sale. The studio space could also be included.

The BBC would have to lease its transmission facilities at a reasonable price (ie one related to marginal cost) to the successor companies.

Taking the average station value per household in the US of $10 and adjusting to British conditions, Charles Jonscher of CSP International has arrived at an estimate of £130m to £140m for the two stations together, valued as "going concerns." This estimate excludes studio space but does assume a considerable lightening of the regulatory regime and an increase in competition.

This may not be very much compared with BBC licence fee revenue of around £900m per annum. But it will still be a useful sweetener, especially if BBC expenditure is to be constrained by an index-linked licence fee.

Sale of these radio stations would demonstrate the final rejection of the paternalist idea that the BBC has to do everything, and be in everything, to carry out its obligations.

Finally, what of the threat that the BBC would retaliate by switching more popular material to Radios Three and Four, thus diluting "quality"?

The threat should be dismissed with contempt. The only reason for supporting the BBC's present licence finance status for a few years longer is the understanding that the BBC will supply what commercial provision cannot. If the BBC goes back on its primary responsibility, the whole basis for the licence fee would disappear as would the arguments for not enforcing advertising on the corporation. I do not believe the BBC would be so foolish as to carry out a suicidal threat.

Letters to the Editor

Mexico's debt

From Mr R. Monro-Davies

Sir, — In your Leader on Mexico "The dilemma over Mexico's debt" (October 9) you give a masterly exposition of the problems involved, but are rather weaker on proposed solutions. As reschedulings come and go, it is becoming increasingly hard to continue to bludgeon the world's banks into making loans to countries with poor credit standings. The anomalies are well known, but are worth repeating. If Mexico, which is a poor credit risk, is lent long-term money at seven-eighths, what rate is going to be charged to other countries? In normal banking, the lower the margin, the better the credit. Also, what is the incentive for any country to try to service its debt if it sees that no sanctions are imposed on those countries which fail to do so?

When the crisis started, four years ago in August 1982, the world's banking system was not in a position to deal with large losses on their less developed countries' (LDC) debt, and the fixes which have occurred since then have generally been beneficial. Over this period, prudent bankers have built up provisions, and banks have no one but themselves to blame if their current reserve levels are inadequate. While the world's banking system may be in a better position than it was, the same cannot be said of the politicians who, having encouraged banks to lend to LDCs and then criticised them for doing so, now berate them for not lending more. Nowhere is this paradox more clear than in the US, where Congress and the general public seem more interested in punishing the banks than in providing a long-term solution. We have argued for some time that, until politicians are prepared to commit public money, there is going to be no satisfactory solution to the LDC crisis. It is bad banking to force private banks to make loans they do not want to make, and the present participation of the World Bank in the announced Mexican package is totally inadequate.

Both Secretary Baker and Mr Volcker are said to have made the completion of the current rescheduling package a matter of personal prestige and forced reluctant US banks to agree to it.

The solution, however, to the LDC problem is more important than the prestige of either of these two gentlemen, and it will come about only when public money, ie, direct government lending, or lending via international institutions, is increased.

If the American administration is scared of being seen to help its own banks, then one way of secretly helping them would be to allow more generous tax relief on country lending. This applies equally well to the UK.

Banks are not fitted to be the financial policemen of the world and they should not be cast in this role. By all means let them take their losses, but forcing them to make imprudent loans cannot be sensible in the long term, and politicians, especially in the US, should take note of this.

Robin Munro-Davies.
(Managing director),
IBCA Banking Analysis.
2, Eldon St, EC2.

Snipping at red tape

From Mr W. Cash, MP

Sir,—William Dawkins' open letter to Lord Young (October 1) rightly points out that reducing red tape is only part of the story. The main point of the letter, however, suggested that the progress that has been made in the battle against red tape has been less than successful. Of course, there will be differences of view as to what should or should not be reformed, but one thing is certain and that is that the Government's policy, as shown by its recent White Papers, is based upon a determination to overcome a problem which has accumulated for something of the order of 75 years. This could not be dealt with immediately but great advances have been made.

The establishment of the enterprise and deregulation unit was a major step in the most crucial area, which is the co-ordination of the cutting of red tape between government departments. It is the job of the unit not only to consider reforms to old legislation, but to consider their impact in co-operation with individual departments on new proposals. These matters apply as much to EEC as they do to domestic legislation.

It would be a mistake to imagine that the Government is assuming that reducing administrative burdens is in any way a substitute for implementing tax reforms or rationalising competition policy or bringing in economic reforms of the kind mentioned by Mr Dawkins. Each of these policies deserves equal attention but the attack on red tape remains a high priority. The direct and indirect impact of legislation on the industrial and commercial life of the country simply cannot be underestimated. There is no doubt that more regulations are emerging and it is equally vital that we keep these under control.

The 180 ideas in the two White Papers certainly do speak for themselves but the important point which Mr Dawkins seems to have missed is that some of the individual ideas really do, and will, make an enormous difference to the businessman, big or small. I refer, for example, to the proposals to change the planning laws in relation to the setting up of small businesses in domestic premises. It has been estimated that in the USA over the past ten years or so, something of the order of 85 per cent of new businesses have been started in domestic premises. Providing the changes in the use classes order are done with due consideration for environmental issues and concentrate on the back room rather than the back yard, then this single reform could achieve an enormous amount in helping new enterprises to get off the ground. In other words, the number of changes in the cutting of red tape has to be weighed against the individual ideas which will have greatest and most beneficial impact. The time for legislation is now and the Government deserves congratulation for the progress it has so far made. Successful architecture depends as much upon eliminating basic faults in the [illegible] the design of the building itself.

William Cash.
(Secretary, Conservative Back Bench Committee on Small Businesses).
House of Commons SW1

Technology for defence

From the Chief Executive, GEC Avionics

Sir, — The letter appearing on October 7 under the title of "Technology for defence" calls for some comment.

It has been long established that offset offered by US companies is really an opportunity to bid for subcontract work, and under no circumstances a guarantee of orders. Such opportunities to bid for work are open and available to British companies regardless of "offset." In fact, with technology developed entirely within the UK, GEC Avionics has become Europe's biggest exporter of aircraft electronics to the US without ever having collaborated with an American competitor.

GEC's AEW team is the only one in the Western world outside the US. Surely no one is naive enough to believe that American manufacturers, wishing to see this capability killed off, will build up a serious competitor in the shape of Plessey, a company which has no experience whatsoever of airborne early warning or any other sort of airborne radar.

D. I. Jackson.
Elstree Way,
Borehamwood, Herts.

Debtors and small firms

From Mr P. Rowe.

Sir,—Mr F. V. Mills (October 6) highlights a continuing problem for the small firm, that of prompt payment of invoices. Earlier this year, of course, the Government's booklet, "Payment on Time," sought to encourage both buyers and suppliers to adopt practices which would overcome this.

One of the main thrusts of effective credit management is the assessment of risk *before* entering into a contract by analysing a customer's ability to pay for the goods or services supplied. It is fatal to a company's well-being to act only after the event of a debt becoming due. Experience has clearly demonstrated the value of establishing accurate information about a customer and his financial position and using that information to predict the risk involved in dealing with him. By this means the incidence of long outstanding debts can be minimised, management time spent on the problem can be reduced and cash flow can be considerably improved. There can be no doubt that specialist credit management techniques can contribute significantly to increased profits and industrial growth.

P. A. Rowe,
(Head of External Affairs),
Institute of Credit Management,
Easton House,
Easton on the Hill,
Stamford, Lincs.

Risk of nuclear accidents

From Mr R. Hurst.

Sir, — For Sir Christopher Cockerell (October 8) to make the schoolboy "howler" he did in his article on nuclear safety horrifies me. If the chance of a nuclear accident is once in 30,000 years and there are 30,000 nuclear stations the chance remains at once in 30,000 years! Why? Because the chance of a station having an accident is independent of any other station's chances.

Robin Hurst,
20 Esk Gardens,
Wetherby, Yorks.

FINANCIAL TIMES

Monday October 13 1986

Roderick Oram on Wall Street

Dream team for a big league raid

CORPORATE raiders, or restructuring specialists as their press handlers would have you call them, tend to cultivate the image of Lone Rangers bringing incompetent managements to book to the greater value of all shareholders.

Yet behind each of these mercurial, high profile figures beavers away an anonymous team of hired guns equipped with skills essential to toppling the chosen target. Frantic share trading on Wall Street is only the smoke. The real fires burn in the plush mid-town offices of lawyers, media specialists, proxy solicitors, bankers and the like.

From the outside looking in, raiding seems exciting. Sure, its tough during the short campaigns but you can enjoy the spoils in quiet periods between.

Should you fancy a crack at this high rolling game, as some might in the wake of Carl Icahn's $8bn bid last week for USX, here's the dream team – the best in the business chosen subjectively after consultations with some big players.

Fund Raisers: Promise almost anything to sign up Drexel Burnham Lambert, masters of the junk bond. These days, though, they can afford to be choosey about who they perform financial miracles for. You may have to settle for Merrill Lynch or Shearson Lehman who are trying to muscle in on Drexel's phenomenally profitable business. Forget the old Wall Street firms. Chances are your target is one of their blue chip clients.

You may also need **commercial banks**. Some raiders shun them because a few leak like sieves. Try Banque Paribas' New York branch which is renowned for discreet deployment of huge sums on fine terms for the likes of Sir James Goldsmith, the British entrepreneur.

Lawyers: Skadden, Arps, Slate, Meagher and Flom. Ask for Joe Flom, though he's a bit tied up at the moment masterminding USX' attempts to repel Icahn. (Most players are ambidextrous, equally at home on offence or defence.)

Depending on your target's counter-attack, you may need in addition a Washington firm that can negotiate the capital's labyrinthine regulatory process and political lobbies. Gulf Oil fell to Chevron partly because it failed to use effectively the powerful congressional delegation from Pennsylvania, its home state.

Proxy Solicitors: The Carter Organization. Up to 85 per cent of some companies' shares are held by nominees but Carter cracks the secrecy with computer data bases linking Street names to fund managers and other big shareholders. It's an art, says Don Carter. "I've tried to clone myself but to no avail."

Carter, which bills itself as a "consultant on corporate governance," will also devise advertising campaigns and line up one of the half dozen reliable financial printers in New York City.

Public Relations: Kekst and Company. Founded almost 16 years ago by Gershon Kekst, it has specialised in corporate financial relations. It says it thrives on rising to the challenge of helping executives articulate their strategies to shareholders. Comfortable on either side of a deal, sometimes both in friendly situations.

Stock Brokers: Accumulating an initial stake in the target company without attracting attention is fundamental to a successful raid and almost impossible. "If you hear of a way let me know," asked one raider with a big battle on his hands at the moment. His advice: keep out of thin markets and spread the business around in a slow and careful fashion. He likes using Jefferies Company and Bear, Stearns for their block trading skills.

Target Pickers: You're on your own until you build a reputation. Then, you "get lots of calls from disgruntled shareholders," said one restructuring specialist. "Basically there's a lot of people out there doing your homework for you." In the meantime, be an acute reader of analyst and company reports. If you have some analytical talent you won't need professional help. "We don't give a damn about accountants – it's all about cash flow," said the specialist.

Corporate Vehicle: Best of all is a private firm bearing your own name. Cut in friends and associates on the deals but keep total control for maximum manoeuverability and secrecy. Frequent your old haunts so no one knows you're busy homing in on a new target.

Check you can afford the above team. Icahn spent close to $25m on his 1984-85 run at Phillips Petroleum. Work covertly with the hired guns until "you think you know every move the other side will make," a media relations man counselled.

Then, braced for the flak, go public, emboldened by huge profit forecasts and oblivious to the potential losses.

Frontline states meet amid fears on security

BY ANTHONY ROBINSON IN JOHANNESBURG

LEADERS of the southern African front-line states held a hurriedly arranged summit in the Mozambican capital of Maputo yesterday to discuss security and Mozambican fears of an imminent military strike by South Africa against alleged African National Congress (ANC) targets near Maputo.

Mr Oliver Tambo, leader of the ANC in exile, also took part after arriving from Lusaka with Zambian President Dr. Kenneth Kaunda.

The meeting took place against a background of nervousness in Maputo after a state of "permanent alert" was declared on Saturday.

Mr Sergio Vieira, the Minister of Security, who announced the state of alert, accused "South African warmongers of preparing direct attacks on our country by their armed forces with the ultimate aim of overthrowing the Mozambican Government and installing a puppet regime."

He alleged that South African commandos had already infiltrated Maputo and he told a meeting of para-military vigilante groups in the capital: "We must neutralise this group before it carries out the crimes it plans."

A South African Defence Force spokesman described the Mozambican allegations as "no more than speculation and a sign of a severe attack of nerves on the part of the Mozambican Government which obviously feels itself to be in deep water because of its support for ANC terrorists."

Fears have arisen of South African military intervention similar to South African raids before the March 1984 Nkomati accord on the town of Matola near Maputo and other alleged ANC bases. This follows Pretoria's decision to repatriate Mozambican workers and threats by General Magnus Malan, the South African Defence Minister, of possible retaliation against alleged ANC bases after last Monday's landmine explosion near the Mozambique border

The Mozambican News Agency, Aim said the summit was chaired by President Samora Machel of Mozambique. It was attended by President Eduardo Dos Santos of Angola, President Quett Masire of Botswana, President Ali Hassan Mwinyi of Tanzania, President Kaunda of Zambia and Prime Minister Robert Mugabe of Zimbabwe together with their military and security advisers. Mr Kengo Wa Dondo, Prime Minister of Zaire, also led a delegation to the meeting and at the end of the summit, the front-line leaders were scheduled to hold separate meetings with the Zairean delegation.

The latest meeting comes only two weeks after front-line leaders went to Malawi to put pressure on its Government to expel units of the rebel Mozambican National Resistance (MNR) from bases in Malawi. This followed weeks of increasing rebel military activity in Zambezia province close to the border between Malawi and Mozambique.

The Mozambican Government believes that the South African decision to expel Mozambican workers and threaten military intervention against ANC bases in Mozambique reflects South African pique at the front-line states pressure on Malawi.

Under the Nkomati accord South Africa agreed to end clandestine support for the MNR and Mozambique agreed to expel ANC guerrillas and cadres from Mozambique. Since then, both sides have accused each other of violating the accord.

Shortly after last week's landmine explosion, an official commentary on South African state radio alleged that 23 terrorist attacks had been planned and carried out from Mozambican bases in recent months. It also alleged that Mr Joe Slovo, a white South African communist who is a leading figure in the ANC military wing Umkhonto We Sizwe, had returned to the Mozambican capital. Sources in Mozambique yesterday confirmed that Mr Slovo had been to Maputo two or three times in the past few months but denied that he was now based there again or that the ANC presence had increased.

RTZ to reduce holding in CRA

By Philip Coggan in London

RIO TINTO-Zinc Corporation is reducing its stake in CRA, the Australian mining company, as the final stage of the "Australianisation" process originally agreed with Sir Malcolm Fraser's government in January 1979.

The sale will reduce RTZ's holding from 52.3 to 49 per cent and turn CRA into an associate rather than a subsidiary in RTZ's accounts.

In a deal worth A$122.85m (US$78m), the Australian Mutual Provident Society is buying 16.38m CRA shares for A$7.50 each. As a result, Australian Mutual's stake in CRA will increase to around 8.2 per cent.

RTZ's holding has been gradually reduced from the 72.6 per cent stake which it had when agreement with the Government was reached in 1979. It has no further plans to reduce its interest.

The change will have two beneficial effects on RTZ's accounts. Because of the differences between Australian and UK accounting standards, CRA's depreciation charge has historically been high. By removing CRA's reserves, and thus the depreciation charge, from the accounts, RTZ's reported net earnings will increase by about £17m a year.

RTZ will also benefit from the removal of CRA's debt from the balance sheet, which will cut RTZ's gearing level from 64 per cent to 45 per cent.

The negative effects of the move will be to reduce RTZ's reserves and to diminish slightly CRA's contribution to group profits. In the year ending December 30, 1985, RTZ had attributable income from CRA of £49.3m.

In the accounts for the year ending December 30 1986, RTZ intends to treat CRA as an associate for the full period. Thus the profit and loss account will include 52.3 per cent of CRA's pre-tax profit, tax charge and earnings up to October 12 and 49 per cent thereafter.

Japan's 'clone' fans fuel French anger

BY IAN RODGER IN TOKYO

A ROW has erupted between France and Japan over the difficulties encountered in Japan by a small French high-technology company trying to prevent the alleged unauthorised manufacture of its products by a Japanese competitor.

The French authorities are increasingly upset about the time it is taking for the Japanese to accept the findings of French courts and a European expert in the case.

The case is unusual in that Japan is seldom associated these days with the kind of industrial counterfeiting actions involving Taiwan and other Far Eastern countries.

The company concerned, Etri, makes high precision fans for cooling computers and other electronic products and is one of the market leaders for these fans in Europe and the US.

In 1968, it licensed a small Japanese company, Kondo, to manufacture some models and sell the entire Etri range in the Japanese market.

In 1983, Minebea, the large Japanese bearings group, proposed acquiring Kondo. As Minebea was also a substantial producer of fans, Etri served notice that its licence to Kondo would be revoked if the acquisition took place.

Minebea went ahead anyway with the acquisition and an agreement was reached whereby the Etri licence would be withdrawn and Etri would begin its own manufacturing in Japan. However, according to Etri, Kondo, under Minebea control, continued to manufacture and sell the Etri products around the world under the Kondo name.

Minebea has denied that it copied Etri machines. Company officials point out that the small fans of many manufacturers all look very much alike.

Etri took Minebea to court in France, the UK and the US on various charges related to the unauthorised use of its patents, copyrights and know-how. The UK and US actions are still pending, but the French court found in favour of Etri.

Following a Minebea appeal, its finding was upheld by Mr George Korsakoff, a vice president of the European Patent Office, who was hired as an expert investigator by the appeal court of Versailles. Mr Korsakoff's view was that Etri had suffered damages of more than Y1bn ($6.5m) as a result of Minebea's actions.

Meanwhile, Etri had distributed a letter to its customers warning them not to buy Kondo products because they were no longer connected with Etri. Early in 1985 Minebea sued Etri in a Japanese court claiming that the letter was defamatory.

Etri pleaded for a rapid hearing of the case but, after several postponements, the judge suggested last month that it would be better if the two sides reached a negotiated settlement.

Japan's Ministry of International Trade and Industry (Miti), which has been the object of increasingly angry French Government representations in this case, organised a meeting between the two sides last week in Tokyo, but to no avail.

The French authorities point out that Etri is the only French electronics company to have a manufacturing presence in Japan, and its experience suggests that it would be very difficult for other French companies to have confidence in Japan.

Minebea declined to comment on the case on the grounds that it was still before the courts.

Summit talks break down

Continued from Page 1

ons in Europe and Asia.

Critics on the right who had warned that he was taking a political gamble going to such a summit will now claim that their judgment has been vindicated and that he was lured into a Soviet trap.

Political opponents on the left will be able to reinforce their attack on SDI and on Mr Reagan's policies towards Moscow since he became President.

The US President's Republican allies had hoped that the rush to a summit meeting in the weeks before the crucial mid-term elections in November would benefit them at the polls. Now they will have to hope that the failure to reach agreement here will not rebound on the and help the rival Democratic Party regain control of the Senate.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	28	79	Dubrovnik	S	22	72	Malta	F	25	77	Rhodes	S	23	73
Algiers	C	28	82	Edinburgh	F	14	57	Manchester	F	13	55	Rio de J'o	C	28	82
Amsterdam	C	14	57	Faro	S	22	72	Manila	R	29	84	Rome	S	24	75
Athens	S	25	77	Florence	S	23	73	Melbourne	S	15	59	Salzburg	S	16	61
Bahrain	S	35	95	Frankfurt	C	15	59	Mexico City	S	25	76	San Francisco	C	12	54
Bangkok	S	33	91	Funchal	F	21	70	Miami	S	26	79	Seoul	S	19	66
Barcelona	F	21	70	Geneva	F	17	63	Milan	S	20	68	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	F	22	72	Montreal	F	5	41	Stockholm	S	12	54
Belfast	S	13	55	Glasgow	F	14	57	Moscow	C	2	36	Strasbourg	F	15	59
Belgrade	S	28	88	Guernsey	C	14	57	Munich	S	5	59	Sydney	F	21	70
Berlin	S	15	59	Helsinki	C	7	45	Nairobi	C	26	79	Taipei	C	25	77
Biarritz	S	22	72	H. Kong	S	27	81	Naples	S	25	77	Tangier	F	23	73
Bombay	S	34	93	Innsbruck	S	19	66	Nassau	S	30	86	Tel Aviv	S	26	79
Bordeaux	S	21	70	Inverness	F	13	55	New Delhi	S	31	88	Tenerife	F	25	77
Brussels	S	16	61	Islamabad	C	22	72	New York	C	10	50	Tokyo	C	19	66
Budapest	F	28	88	Istanbul	S	20	68	Nice	F	24	75	Toronto	F	10	50
B. Aires	C	18	65	Jakarta	R	30	86	Nicosia	C	27	81	Tunis	F	26	79
Cairo	S	28	82	Jersey	C	14	57	Oporto	F	23	73	Valencia	F	22	72
Cape Town	R	12	54	Jo'burg	S	25	77	Oslo	S	8	46	Venice	S	19	66
Caracas	R	26	79	Lima	C	19	67	Paris	S	18	64	Vienna	S	17	63
Casablanca	F	23	73	Lisbon	C	19	66	Peking	S	21	70	Warsaw	F	18	64
Chicago	R	17	63	London	C	14	57	Prague	S	15	59	Washington	C	12	54
Cologne	S	18	64	Los Angeles	C	18	64	Reykjavik	F	5	41	Zurich	C	12	54
Copenhagen	Fg	11	52	Luxembourg	C	12	54								
Corfu	S	25	77	Madrid	F	20	68								
Dallas	C	8	46	Majorca	F	26	79								
Dublin	S	15	59	Malaga	T	17	63								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Green success in Bavaria

Continued from Page 1

win seats in the Munich parliament, scored about 7.5 per cent well up from 4.6 per cent registered four years ago, and looked likely to have about 16 seats in the 204-seat state assembly.

The FDP, which Mr Strauss conspicuously named last night (along with the SPD) as being the losers of the election, gained only about 3.8 to 3.9 per cent of the vote, little more than the party's lacklustre showing of 3.5 per cent four years ago.

Mr Strauss has been engaged in permanent rivalry with Mr Hans Dietrich Genscher, the leading Free Democratic politican whose job as Foreign Minister in Bonn Mr Strauss has long sought to take.

French weigh up delights of Japanese wrestlers

By Paul Betts in Paris

CHIYONOFUJI, Onokuni, Konishiki and Co have caused a considerable commotion in Paris since arriving last week with 35 other hulky Sumo wrestlers in two specially fitted Japan Airlines 747s.

The beds in the Hotel Nikko have been cracking under the weight of the Sumotoris and especially of Konishiki who, at 229 kilos, can boast to be the heaviest Sumo wrestler in the 1,500-year-old history of the Japanese national sport.

The sight of the Sumotoris wobbling down the Faubourg Saint Honore or window shopping at Hermes and Lanvin has stopped Parisians in their tracks and caused minor traffic jams in the city centre.

Still nervous of the recent wave of terrorist bombings, some Parisians took to the streets and others anxiously telephoned local radio stations at the sound on Thursday night of the fireworks display in honour of the Sumo wrestlers dining on the Eiffel Tower.

But Paris has greeted the Sumotoris, regarded as demigods in Japan, with unaccustomed good humour. Indeed, Mr Jacques Chirac, the conservative Prime Minister and Mayor of Paris, has been visibly delighted by his coup to persuade the great Japanese Sumo circus to choose the French capital and the twin city of Tokyo for its first appearance in Western Europe.

Only on three recent occasions have the Sumotoris agreed to exhibit themselves outside Japan. Before France, they had been to the Soviet Union, Mexico and New York

The historic visit has been a marvel of Japanese planning and organisation. It took two years to prepare and FFr 20m ($3m) to promote. But the promoter, the huge Japanese Fujisankei Communications group, is likely to reap handsome rewards for its efforts.

The three Sumo tournaments this weekend were broadcast to millions of Sumo fans in Japan. The 40,000 tickets to attend the matches in the new Bercy indoor stadium near the Gare de Lyon were sold out months in advance.

For the past few days France has been bombarded with Sumo culture. Morning radio news programmes have given minute details about the diet of stew, rice and beer which enables the Sumotoris to attain such awesome weights.

Posters of the Buddha-like silhouettes of the wrestlers have been stuck all over Paris. And to explain to an uninitiated audience the art and mysteries of Sumo, the organisers enlisted Leon Zitrone, one of France's best-known veteran television personalities, to act as master of ceremonies during the tournaments.

Zitrone, who has commented for French television on every royal wedding or state funeral for years, nearly stole the show on the opening night with his comments.

He gave detailed explanations of each wrestler – Kirishima, for example, was regarded as "the Alain Delon of Japan" and the "chou-chou" of all the girls in Tokyo; another Sumotori drank two bottles of Rémy Martin in a day as well as sake and beer.

At one stage, the crowd forgot the wrestlers altogether and started chanting "Leon, Leon", which was a change from the "Olés" shouted each time the Japanese officials grunted some incomprehensible phrases between fights.

The Bercy stadium was guarded like a bunker for the opening night because of continuing fears of terrorism. Mr Chirac, the governor of the city of Tokyo and countless political and showbusiness personalities turned up

While the French Sumo tournament coincides with a heightened interest by Japanese companies and financial institutions in France, it also comes a few days before Mr Chirac will personally plead the case to stage the 1992 Olympic Games in Paris before the International Olympic Committee (IOC) in Lausanne later this week.

Mr Chirac is likely to use the historic Sumo tournament in Paris as a further argument before the IOC judges to select his city.

The 38 Sumotoris were enjoying a couple of days of well-earned rest after their last matches yesterday before flying back to Japan.

After visiting some of the sights of Paris and taking a trip on a bateau mouche, like all self-respecting Japanese passing through the French capital they will spend their last night at the Crazy Horse – that is if they all fit inside the famous striptease establishment.

THE LEX COLUMN

Cracks in the Opec ceiling

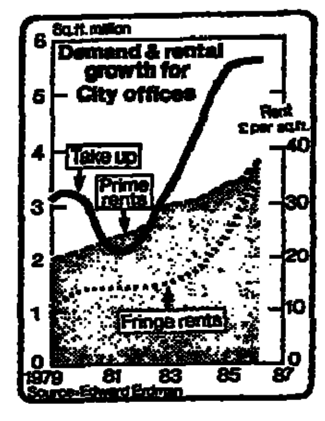
It is hardly surprising that no-one is keen to take a new position in oil, whether spot crude or equities. After the 60 per cent rise in the crude price on the day the last meeting of Opec ministers came up with a temporary pact to cut output, everyone now knows better than to place bets. The markets want another crack-filling exercise, with Opec rolling over the agreement for a further couple of months. Unfortunately for them the more long-term approach of Saudi Arabia and Kuwait appears to be prevailing and ministers are getting down to the essential but potentially explosive task of establishing a rational means of allocating national output quotas. It could be a long week in the Geneva Intercontinental.

The proposal to base quotas on criteria such as population and production capacity is in principle far better than the traditional method of political horse-trading. But as soon as the ministers start to discuss the correct weighting of the criteria the real problems start. Each will want to weigh the criteria so that his country will be able to produce at its minimum requirement. And the 13 members' combined minimums as ever add up to more than the maximum that the market will bear over the coming 12 months.

If that debate ends in acrimony then the oil equity market is in trouble. In the UK it is discounting a price of about $15 a barrel, in the US at least $18. The most likely conclusion may be failure to agree a new long-term production limit, and a renewal of the present ceiling until yet another meeting in December. That will hardly cause prices to rise, which suggests there is not much upside in oil shares. But if crude prices start to fall then the very high level of stocks will add crushing downward pressure.

City property

If there is one outstanding sector of the non-residential property market at the moment, it must be City of London office space. With the Big Bang looming every banker, broker, insurer, trader and his dog is expanding, whether alone or by joining forces in conglomerates. At the same time, overseas firms are setting up in London or adding to their range of existing businesses. As a result, prime rents have risen sharply in the last couple of years.



The demand for space has been such that the City's imaginary boundaries have widened to include areas north to Finsbury Square and south to London Bridge and rents in the fringe areas have more than doubled since 1984. The arrival of City estate agents Baker Harris Saunders on the stockmarket is no coincidence.

In real terms, rents are still some way behind those reached in 1973, and there is not a bear of the market to be found. Cries of £50 a square foot by Christmas may not prove unreasonable in a market where practically all new space appearing in the next year or two already has tenants. It might be 1989 before supply catches up with demand, by which time rents might have reached £70 or £80. There is currently around 55m to 60m square feet of office space in the City area with plans for perhaps another 10m square feet of new space.

There are strong arguments in favour of the market continuing to boom. If London is to be the European financial centre, rivalling New York and Tokyo, there are still plenty of potential players yet to arrive. The admission of foreigners to the Stock Exchange has hardly begun and a firm like Nomura could fill a few floors on its own if it really set its mind to broking London shares. Among firms already here, the move by many partnerships into corporate hands may well mean a more lavish approach to spending on property, especially as many believe it worth paying for the image of wealth reflected in glass palaces. And the price of the space highly-paid employees occupy is still less than their salaries. If a comfortable office can persuade them not to leave for pastures new, it is worth the cost.

Even in the current euphoria, there is a sneaking feeling that it will all end in tears. What price City offices if the Big Bang proves to be a damp squib? Unless there are more newcomers than casualties, the supply/demand equation will quickly turn. Meanwhile, although there is a great shortage of space in the City itself, there is plenty of room for firms which follow the first emigres to Victoria and the West End. Those which can be persuaded to move to the new Canary Wharf, despite its apparent unpopularity except for back-office staff, will eventually find a couple of years supply of space there.

Landlords might also discover that buildings designed for the 1980s are as unwanted in the 1990s as the cramped and sweaty towers of the 1960s are now. If 40,000 square foot trading floors go out of fashion, only those buildings where atriums can be built to bring light into the centre can be split into offices. One day the City could be a ghetto of glass houses.

Bristol & West

Much of the £1.5bn diverted into the TSB issue from building society accounts will, no doubt, return disappointed; but one society has decided that if it cannot beat the stockbrokers, it will join them. From the start of the next year, once the Building Societies Act opens the way, the Bristol & West will be renting out space in its branches for Laing & Cruickshank to sell to the public equities, packaged insurance, unit trusts PEPs and what have you.

This may sound like an invitation to the stockbroking fraternity to plunder a deposit base already picked over by the banks. But as these deposits are already an expensive way of funding mortgage lending, the Bristol & West has probably decided that there is something to be gained in trying to squeeze expense ratios by sharing its retail overhead: confectionery stands and televised racing are probably further away. If the scheme works – and Laing & Cruickshank does know something about private clients – the Bristol & West may attract extra customers while still retaining the liquid element in its existing customers' portfolios. If building societies are hedging against a bull market, things cannot be that bad – or can they?

INTERNATIONAL BONDS

Currency concerns slow dollar deals to a trickle

BY CLARE PEARSON IN LONDON

HOW DO YOU persuade investors to buy a new dollar-denominated Eurobond when continuing concern about the currency is reducing demand for such instruments to a trickle?

Japanese institutional funds have failed to begin buying again in size, even though the end of their half-year is behind them. European, offshore-US, and Middle Eastern demand is only sporadic and can readily be satisfied by the cheap bonds floating around in the secondary market.

No one, dealers say, is interested in a new long-term dollar bond. The 10-year area of the market is, in the words of one new issue manager, a "disaster zone."

The way to entice investors into a deal is to make sure it has a short life and is for a high-quality, preferably state-backed, borrower. A crop of such deals was launched last week but even they met a mixed reception.

Some did find ready buyers but elsewhere the issuer had to rely on lead manager support to keep the bonds quoted at a profitable price to underwriters. Lead managers of offerings for prestige borrowers, anxious to secure a further mandate, have a strong incentive to support them during primary trading.

Deals for equivalent credits traded differently. For instance, Bankers Trust launched a $100m bond for Italy and Yamaichi launched a $100m deal for Stockholm on Friday. Both were rated triple-A, with Monday's Investors Service confirming this rating for Italy during the day on Friday.

But Italy's bond achieved the rare distinction of being bid at a discount of 1⅛ per cent to issue price, healthily within its 1⅞ per cent fees, in early trading. Stockholm's bond, on the other hand, rapidly sank to potentially loss-making levels for underwriters.

The difference lies in the pricing. Highly selective investors see no reason to buy new bonds when much cheaper offerings are available in the secondary market but they seem enthusiastic about offerings providing obvious value.

Italy's issue was priced to yield a hefty 83-basis point spread over US Treasury bonds at launch, and at a discount, increasing its capital gains potential.

Stockholm's bond, in contrast, was issued at a slim 36 basis points over US Treasury bonds, which seemed aggressive, even taking into consideration the issue's rarity value.

In most cases, however, hard times have put and end to "cut-throat" pricing, which was common earlier this year when the end-investor was a less elusive animal. Issues for CNT, the French telecommunications entity, and for the EEC were described as "tight" by some dealers last week. But even they admitted they were within 10 basis points of reasonable pricing in view of secondary market levels.

The dollar sector has always been the staple diet of the Eurobond market, so the downturn in demand for the paper has serious implications for those houses still concentrating on dollar placement.

On the other hand, those with diversified placing power stand to benefit at other houses' expense.

Credit Suisse First Boston, for instance, with proven placing in London, West Germany and Switzerland, is far better placed. This was demonstrated last week when it was able to handle the whole of a "jumbo" four-tranche convertible bond for Elders IXL, denominated in dollars, sterling, D-Marks and Swiss francs.

The floating rate note market, which saw a trickle of deals last week, is poised for a recovery, some dealers say.

Trading in this market is still nervous, after a shake-out last month when prices shed 50 basis points in a day. But investors are now picking up bonds that have fallen to attractive discounts, and new issues priced to pay interest at above London interbank offered rate (Libor) are going down well.

The D-Mark market continues to be abandoned by bond investors, who have been continously frustrated in their hopes of lower interest rates. Prices edged downwards last week in low turnover.

The Swiss franc market, on the other hand, is in more optimistic mood, despite an interruption in the downward trend of short-term interest rates in the middle of last week.

Both Elders' convertible bond and a new fixed-rate deal for Australia, met strong responses.

The Swiss Banking Association has told holders of SFr 300m of bonds issued by Dome Petroleum, the troubled Canadian energy company, that they have little choice but to comply with its request for a temporary waiver of interest and principal repayments.

The comment came in a letter sent to Swiss banks on Friday by the association's commission for the protection of Swiss assets abroad, although the commission stressed it was not a formal recommendation.

Swiss franc bond holders have until October 24 to reply to Dome's request.

EURONOTES AND CREDITS

United Airlines follows trend with sights on $750m facility

BY PETER MONTAGNON IN LONDON

UNITED AIRLINES, the US holding company which owns Hertz car rentals and Westin hotels as well as the airline that bears its name, came to the Euromarket last week for a $750m loan facility led by Chemical Bank.

The deal is yet another example of how US companies are extending their activities to the Euromarket and will replace a domestic loan facility used to back up commercial paper. It may also serve to back up the issue of Eurocommercial paper in Europe.

Terms include a maturity of five years and an annual facility fee of 8¼ basis points for the first three years rising to 10 basis points afterwards. Drawings on the accompanying standby credit will bear a margin of ⅛ per cent over London Eurodeposit offered rates (Libor). United will also pay a utilisation fee of ⅛ per cent on drawings up to a quarter of the total facility, ¼ per cent on drawings up to half the total and ⅜ per cent on larger drawings.

Initial response was positive from a market that continues to show every sign of appetite for business and is snapping up deals on even the finest of terms.

The terms on United's facility look rich compared with the thin fees available on recent deals for European sovereign names, yet even these are passing through syndication with the greatest of ease. Not only did Credit National's $300m recent facility attract subscriptions of $600m but also Ireland's $400m deal was increased last week to $500m. Elsewhere the $500m credit for India's Oil and Natural Gas Commission also looks set for an increase.

As a result, there is continuing downward pressure on margins for many borrowers, especially in Europe. Italy's Instituto Mobiliare Italiano achieved what are believed to be about the finest terms ever for an Italian state borrower on a $100m, eight-year credit launched last week through First Chicago. This is a club deal carrying a margin of 5 basis points for the first three years rising to 7½ points after that.

Aumar, the private sector Spanish motorway concern, launched a $318m, eight-year loan through Chase Manhattan which carries a margin of ⅛ point and will refinance previous credits led by Manufacturers Hanover and Merrill Lynch. The funds will be drawn in yen, D-Marks and Swiss francs.

Despite the tightness of the terms both deals seem assured of a fairly easy ride. IMI is a popular name in Italy and although there has been some resistance to low margins in that country, its deal was understood to be finding a ready home. Aumar is also a name that appeals because it is a highly profitable concern. Appetite for Spanish paper is also running at a high level in the Eurocredit market because of the high level of debt repayments this year.

However, Barclays Bank has been less fortunate with the $200m facility launched earlier this month for Bank of New Zealand on razor-fine terms. Following market resistance it has had to revise the facility fee which was originally set at 3¾ basis points for the full five-year life of the deal. This will now start at that level but rise to 5 basis points after the first two years.

In a telex to potential participants Barclays also said it was introducing a 3 basis point front-end fee and a slight increase in the utilisation fee.

Last week's launch by Canada's Farm Credit Corporation of a Canadian dollar denominated commercial paper programme seems to be bringing other Canadian borrowers out of the woodwork. Nova Scotia Resources has appointed CIBC, Citicorp and Merrill Lynch as dealers on a US$110m programme. Other new Eurocommercial paper deals last week also included a $300m programme for Transcontinental Gas PipeLine Corporation of the US on which Citicorp, CSFB and Swiss Bank Corp will act as dealers.

Elsewhere the Development Fund of Iceland is raising $75m through a 10-year credit led by Banque Paribas, Deutsche Bank and Scandinavian Bank. The deal bears a margin of $\frac{3}{16}$ for six years rising to ¼ after that. Interbanca, the Italian long-term credit bank, has mandated Chase Manhattan to raise a $94m credit carrying a margin of 7½ basis points for the first four years and rising to 10 points after that. The deal is divided into two tranches maturing in 8½ years and 6 years respectively.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,272.5	11.3	2,349.7	2,983.1
Prev	4,118.1	949.2	3,295.3	3,082.2
Other	1,200.4	0.0	959.5	182.3
Prev	2,361.3	–	409.2	55.6
Secondary Market				
US$	24,667.0	1,271.9	12,437.9	4,930.1
Prev	25,649.6	1,541.7	16,767.3	5,572.7
Other	11,538.8	84.1	8,023.7	4,410.5
Prev	13,862.6	70.5	4,064.8	4,298.5

	Cedel	Euroclear	Total
US$	15,702.1	34,621.6	50,323.7
Prev	17,441.8	43,534.3	60,976.1
Other	11,062.0	15,337.3	26,399.3
Prev	11,570.2	13,563.3	25,133.5

Week to October 9 1986 Source: AIBD

Montedison protests over Fermenta deal

BY JOHN WYLES IN ROME

MONTEDISON, the Italian chemicals group which has been trying for several months to negotiate a takeover of Fermenta, the Swedish chemicals and biotechnology company, has protested against last week's sale of Fermenta's agrochemicals operations to Monsanto of the US.

In a letter to Fermenta making clear its opposition to the sale, Montedison has asked to be provided with full details of the deal to be able to evaluate the impact on the overall strategy which led it to open negotiations with Mr Refaat El-Sayed, Fermenta founder and biggest shareholder.

The Italian company says its reasons for seeking control of Fermenta remain unchanged – to bring together the bulk pharmaceuticals, animal health products and agrochemicals interests of the two groups.

The possible disposal of one-third of Fermenta's sales "could represent a diminution in the value of the acquisition," it said.

The letter requests clarification on all these points. It does not, however, threaten to pull out of the negotiations, which are based on Mr El-Sayed's commitment of four months ago to sell 76.5 per cent of Fermenta's voting shares.

However, the highly impatient tone of the communication and the prospective disappearance of attractive assets to Monsanto will strengthen doubts that the Italian company will pursue its objective for much longer.

Kevin Done in Stockholm writes: In a letter to Montedison the Fermenta board has refused to divulge the kind of information the Italian group has requested.

It is thought that the board feels that Montedison is bidding for only a partial stake in Fermenta and that to release the sensitive commercial information requested would jeopardise the interests of minority shareholders in the Swedish group.

Perstorp profits rise in line with forecast

BY SARA WEBB IN STOCKHOLM

PERSTORP, the Swedish specialty chemicals and plastics group, reported a 4.2 per cent increase in profits for the financial year ending August 31. The result is in line with the company's forecast in June despite increased development and launch costs.

Profits (after financial items) reached SKr 345m ($50.2m) against SKr 331m in the 1984-85 financial year.

Sales totalled SKr 3.93bn, up 13.8 per cent on the last financial year's figure of SKr 3.452bn, with strong sales increases in the "chemitec" and compounds divisions.

Perstorp Chemitec, which produces binders for mechanical engineering and construction industries, showed a 40 per cent increase in sales from SKr 275m to SKr 385m.

Sales in the compounds division, which makes moulding compounds for the thermal plastics industry, rose 35 per cent from SKr 412m to SKr 555m. The company was able to resume deliveries to Iran this year.

Perstop components showed a 27 per cent rise in sales to SKr 465m due to increased deliveries to the automotive industry and an acquisition in the US.

Sales in electronics stagnated, faced with a weakening market in Europe.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Interest-rate optimists raise their heads

THE US credit markets traded in a narrow range last week, but the general consensus was that last month's inflation-inspired jitters have been overtaken by a cautiously optimistic mood. Fixed-income traders are once again focusing their attention on the possibility that the Federal Reserve may ease its policy stance before the end of the year.

The only economic statistics of any significance last week were the September producer price figures. The 0.4 per cent increase, which translates into a 4.7 per cent annual growth rate, was slightly higher than expected, and this factor, together with a weaker dollar, helped push long-term government bonds lower on the week.

By Friday evening, the widely watched US government long bond, Treasury 7¼ per cent due 2016, was being traded at 95 $\frac{3}{16}$, giving a loss of a point-and-a-half on the week and increasing long-term government bond yields by some 13 basis points to around 7.66 per cent. At the short end of the market, three-month Treasury bill yields were virtually unchanged at a shade above 5 per cent.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	5.69	6.12	5.88	9.91	5.69
Three-month Treasury bills	5.06	5.09	5.17	7.40	5.01
Six-month Treasury bills	5.12	5.18	5.38	7.41	5.06
Three-month prime CDs	5.67	5.67	5.77	8.06	5.46
30-day Commercial Paper	5.65	5.73	5.75	8.05	5.65
90-day Commercial Paper	5.58	5.65	5.67	7.95	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅛	−⅛	7.14	7.11	7.41
20-year Treasury	113⅞	−1½	8.01	7.87	8.20
30-year Treasury	95	−1⅛	7.68	7.53	7.70
New 10-year "A" Financial	N/A	N/A	8.50	8.63	8.75
New "AA" Long utility	N/A	N/A	9.38	9.38	9.50
New "AA" Long industrial	N/A	N/A	9.13	9.00	9.25

Source: Salomon Bros (estimates).
Money Supply: In the week ended September 29 M1 fell by $1.4bn to $683.6bn.

The big surprise in the money markets last week was the behaviour of the Fed Funds rate. The average weekly Fed Funds rate fell by 33 basis points to 5.75 per cent — its lowest level since August 1977. For a period it was allowed to trade below the 5½ per cent US discount rate. Was the Fed already easing? some analysts were asking.

Mr Sam Kahan, chief economist at Kleinwort Benson Government Securities in Chicago, is of the opinion that last week's dip in the Fed Funds rate was purely technical and does not reflect any change in official policy. The available evidence still shows that the Fed is targeting a funds rate of 5⅞ per cent to 5⅞ per cent, says Mr Kahan.

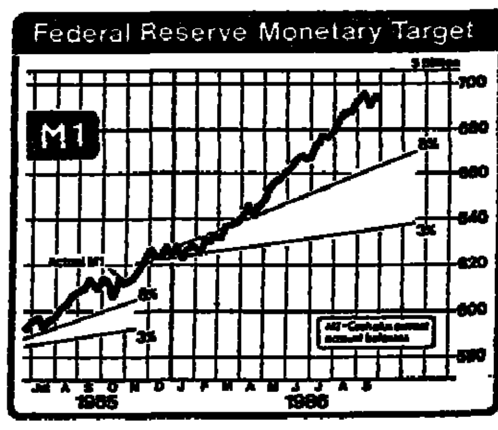
Ms Chris Mandell, an economist with Barclays Bank in North America, agrees that the recent performance of the Fed Funds rate has been distorted by technical complications and says that hopes of an early discount rate cut based on last week's soft funds rate "appear to be premature."

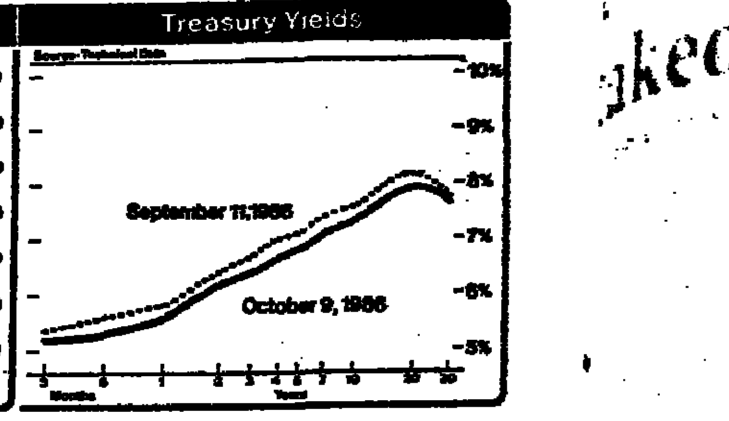
That said, there is a growing feeling in the US credit markets that the Federal Reserve will trim its discount rate before year-end. "With economic growth modest and inflation moderate another 50 basis point drop in the discount rate is likely as early as November," says Mr Kahan.

Mr Mitchell Held of Smith Barney is of a similar opinion. "We do not believe that the current US economic data is weak enough to justify a unilateral rate cut at the present time. But we do believe that a Japanese rate cut is possible for the end of November." He notes that the US credit markets have taken on a more bullish mood and expectations of a discount rate cut "are now becoming commonplace."

With the mid-term congressional elections taking place on November 4 and a Federal Open Market Committee meeting due the following day, the general feeling is that any further moves on the US discount rate will have to wait for at least another month.

For the moment "yields on the long-term Treasury bond seem destined to remain in the 7½ to 7¾ per cent range, at least until investors get a better reading on trends in the economy, inflation, the dollar and the outlook for Federal Reserve policy," says Aubrey G. Lanston in its latest market letter.





Among the new issues announced last week, one of the main talking points was First Boston's huge offering of securities backed by cheap General Motors car loans. It proved so popular that it has been increased in size from $3.2bn to $4bn and will be the largest underwritten offering in the history of the US capital markets. It is expected to be rated triple-A and is another worrying sign for US commercial bankers, who are growing increasingly concerned at the speed with which their traditional high quality business is being poached by securities firms.

For the week ahead, traders will once again be watching the dollar to see whether Europe's central banks continue to intervene to stem its downward slide. Meanwhile, at home there is a wealth of economic data for market analysts to mull over.

Wednesday's September retail sales figures are expected to jump by 3 to 4 per cent, bloated by the surge in cut-rate finance US car sales. However, the September industrial production figures, due on Thursday, are expected to show a modest decline of 0.2 per cent.

Mr Kahan believes that the most interesting figure this week will be the September housing starts, due on Friday. In recent months they have stabilised at an annual rate of around 1.8m. "If we were to see a sizeable decline to 1.7m or 1.75m it may well indicate that the housing sector has not only peaked but is beginning to unravel." This could have worrying implications for the US economy where housing starts have been one of the few strong areas of expansion.

William Hall

UK GILTS

Flow of taplets to ease way for Big Bang

FRIDAY'S flow of a record 16 £50m taplets right across the market had tongues wagging in dealing rooms on an otherwise steady day, when three-month interbank rates eased by about a quarter point. For the second week running, the Bank of England and the discount houses failed to see eye to eye on rates for new Treasury bills, with the result that no paper was issued. Once more, the Bank indicated that it was not prepared to see UK interest rates rise.

The taplets, described as "technical" by the Bank, were designed to create extra liquidity to ease the market over the Big Bang. Releasing small amounts of a spread of stocks should help Britain's 27 new primary dealers over the problem of "cross books" (chain transactions which tie up liquidity) when the markets are liberalised later this month.

However, while the new taplets gave the market an interesting talking point—notably about the dealer who was so confident no new paper would be issued that he punted £5 against each new issue on offer—it did little to turn attention away from more pressing problems.

Topping these is still sterling. After one of the more wobbly weeks for the pound, gilts market gurus are hoping for a sign of direction in the Government's exchange rate policy.

Those seeking enlightenment from Mr Nigel Lawson's remarks to the Conservative Party conference last Thursday had probably been clutching at straws. Yet many in the gilts market hope this week's Mansion House speech will be the occasion for comments of much greater substance.

If not, the implications for the pound could be very serious, triggering a much greater loss of confidence. As matters stand, the market is at best edgy.

Opinion differs between those expecting an imminent base rate rise of 1 to 2 per cent this week; some more meaty comments about full British membership of the European Monetary System or (the minority view) outside help in the form of further production quota agreements from the Organisation of Petroleum Exporting Countries; or interest rate cuts by the US and West Germany.

The Chancellor himself had a hand in stoking up the EMS fire in his remarks last Friday that the arguments against Britain joining were weaker now—though he also argued that the time to go in was still not ripe. If Britain does join, that will provide a substantial fillip to the gilts market, at least for a couple of months.

Although there is no shortage of home-grown pundits, Mr Henry Kaufman, chief economist at Salomon Brothers in New York, crossed the Atlantic to add his contribution late last week. Asked whether he stood by his view, made some 10 days ago, that UK short-term interest rates were set to rise by 1 per cent, Mr Kaufman said: "There is a distinct possibility that will occur. It is a testing period for the pound and the markets may not have stopped testing the will of the Government."

The market has no lack of number to crunch on in the next few days. Among the more important figures due are those for unemployment and for the public sector borrowing requirement on Thursday, and retail prices on Friday.

After last week's better than expected sterling M3 figures, which had been partly discounted in the market, a fairly hefty rise in the PSBR is being predicted. Mr Richard Jeffrey at Hoare Govett reckons on a £2bn increase. That rises to £3.1bn for Mr Gavyn Davies at Goldman Sachs, and a high £3.6bn for Mr Simon Ward at Lloyds Merchant Bank.

On the inflation front, an upturn of between 0.4 and 0.6 per cent is on the cards, according to a number of economists. Higher petrol prices last month and a dip in inflation this time last year are responsible.

Haig Simonian

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	103	+0¼	11.10
AIDC 11 89	75	107½	−0¼	7.48
Alcan Australia 8½ 89	25	99¾	+0¼	8.57
Amer Saving 12 89	125	105½	−0¼	9.35
Amer Saving 12¾ 89	100	106½	−0¼	9.28
Asian Dev Bk 11¾ 93	100	115	0	8.81
Australia 8¾ 91	60	101¾	+0¼	8.30
Australia 11¾ 90	100	113¾	+1¾	7.29
Australia 11¾ 98	100	118¾	+0½	9.05
Austria 15½ 88	75	111⅛	−0¼	8.81
Avon Fin 10¾ 92	100	105½	−2¼	8.99
Bk Nova Scotia 13¾ 87	100	105⅛	−0⅛	8.43
Bank of Tokyo 12¾ 92	95	115⅛	0	8.64
Bank of Tokyo 13¾ 91	100	123⅛	−0¼	7.56
Bank of Tokyo 13⅞ 89	100	116⅛	−0¼	7.35
BMW O/S Ents 10¾ 91	50	109⅛	0	7.97
BP Capital 11¾ 92	150	110⅛	0	8.84
Br Col Hydro 12½ 14	200	128	0	9.82
Br Col Hydro 12½ 13	250	128⅞	+0⅞	9.73
Br Col Hydro 13¾ 88	150	110⅛	0	6.77
Britoil Fin 11⅞ 90	125	108⅛	−0½	9.24
Caisse Nat En 11¾ 95	125	121½	+0½	8.09
Canada 10⅞ 88	500	108¼	+0⅛	6.44
CBS Inc 11¾ 92	700	108⅛	+2	9.43
Centrust S & L 10...	1.2bn	11¾	+0⅛	9.81
Chesebrough 12 93	100	110⅛	−1	9.72
Chubu Elec Pwr 13¾ 91	60	0		
Citicorp 10 88	200	105½	0	6.77
Citicorp 11¾ 92	100	109	0	9.49
Citicorp 11¾ 97	200	109	−2	10.28
Citicorp O/S 10¾ 90	100	102⅛	0	9.61
Citicorp O/S 11¾ 90	100	104⅛	−0¼	10.23
CNCA 11½ 92	125	116	+0¼	7.78
CNCA 13¾ 91	100	121½	0	7.64
Coastfed Int 12¾ 88	125	106⅛	−0½	7.86
Coca-Cola 11¾ 88	100	108⅛	0	6.81
Cn Fn de Paris 13⅞ 89	100	107⅞	−0¼	10.59
Continental Grp 11½ 93	75	105¼	−0⅛	10.37
Creditanstalt 13¾ 91	100	119⅛	+0¼	7.94
DaiIchi Kangyo 12¾ 90	100	115½	0	7.62
Denmark 10⅞ 90	100	105⅛	+0⅞	8.97
Denmark 11½ 92	100	115⅛	+0⅛	7.91
Denmark 12¼ 93	100	111⅛	−0⅛	9.90
Denmark 12¾ 92	250	101⅛	−0¼	12.34
Denmark 13 91	100	120	−0⅞	7.67
Denmark 13 92	100	101¼	0	12.58
Denmark 13¾ 91	100	121¼	−0⅛	7.90
Denmark 14 91	100	112¼	−0⅛	10.56
Digital Equip 11¾ 89	150	110⅛	0	7.03
Dutch St Mines 11¾ 91	150	106⅛	0	9.47
Eksportfinans 11¾ 92	100	114⅛	+0⅛	7.94
Eksportfinans 11½ 90	100	109⅛	−0⅛	8.66
Elec de France 11¾ 93	100	118⅛	+0⅛	7.77
Elec de France 12¾ 87	150	106⅛	−0⅛	6.37
EEC 9¾ 90	350	106⅛	0	7.69
EEC 11 87	350	103⅛	−0½	6.58
EEC 11¾ 90	100	111⅛	+0¼	7.00
Elf-Aquitaine 10¾ 89	100	106⅞	−0⅛	7.51
Ericsson L M 10¾ 88	100	107⅞	+0⅛	7.13
Euro Inv Bk 11½ 90	200	115	+0⅛	7.20
Euro Inv Bk 11¾ 91	73	110⅞	0	8.49
Euro Inv Bk 12½ 90	100	116⅞	+0¼	6.93
EDC 9⅞ 88	200	104⅛	−0⅛	6.79
EDC 10 88	125	104⅛	0	6.36
EDC 10¾ 88	100	105⅛	0	6.25
EDC 11¾ 89	150	109⅛	+0⅛	6.75
EDC 12 89	100	112⅞	0	7.16
EDC 13¾ 87	100	106⅛	0	6.29
Fed Dept Store 11 90	100	111⅛	+0½	6.92
Finland 11½ 88	100	108	−0⅛	6.41
Finland 12¾ 94	75	124⅛	0	8.05
Finnish Export 12¾ 87	75	106⅛	−0⅛	6.31
Firstfed Mich 1 13¾ 88	125	111⅛	−1¾	8.44
Florida Fed 12¾ 89	100	106⅛	−0¼	9.33
FNMA 11.5 91	300	112⅞	0	9.32
Gen Elec Cred 0 96	600	44½	−0⅛	8.66
Gen Elec Cred 9¾ 91	100	106½	0	8.30
Gen Elec Cred 10¾ 90	200	108⅛	−0⅛	9.47
Gen Elec Cred 11 91	200	106⅞	+0⅛	8.99
Gen Elec Cred 11½ 87	200	105	0	10.76
Gen Elec Cred 12 94	200	114½	−1	9.36
Gen Foods Cap 11½ 90	75	109⅛	−0⅛	8.31
General Mills B 12 91	100	115⅛	+1¾	8.28
Gen Motors Acc 10½ 90	200	104⅛	+0¼	8.79
Gen Motors Acc 11⅞ 90	100	107½	−0⅛	9.04
GMAC 10 92	250	106⅞	0	8.48
GMAC 10 88	200	104⅛	0	6.55
GMAC O/S Fin 15¾ 97	100	105⅛	−0⅛	10.84
GTE Finance 12 96	75	102⅛	0	11.50
Gulf Oil 10¾ 94	100	103½	−2	9.80
GZB 14 91	100	120⅛	−0⅛	8.49
Holl Air Fin 12¾ 91	100	107⅛	+0⅛	10.12
Household Fin 11¾ 92	100	111⅞	+0⅛	8.70
IBM 9¾ 88	200	104	0	9.08
IBM (WTC) 10¾ 89	300	105⅛	0	9.60
IBM Credit 11 88	100	105⅛	−0⅛	8.86
IC Industries 8¾ 87	35	100	−0¼	8.63
IC Industries 12 90	75	108	+0½	9.22
Inco 9 92	100	99¾	+0¼	9.15
Ind Bk Japan 10¾ 92	100	108½	−0½	8.66
Ind Bk Japan 10⅞ 88	100	105⅛	−0¼	6.76
Ind Bk Japan 10⅞ 95	100	111	0	8.82
Ind Bk Japan 11½ 89	125	107⅛	+0⅛	7.84
Int-Amer Dev 12¾ 91	150	121	0	7.80
Int-Amer Dev 11⅛ 94	200	121	+0¼	8.22
Int Paper 12 91	75	108½	0	10.07
Int Stand Elec 0 97	112	38⅞	+0⅛	10.04
Int Stand Elec 12 96	75	108⅛	−1¾	10.67
ITT 11½ 89	125	108	−0⅛	8.47
ITT Credit Corp 10¾ 90	75	107	−0⅛	8.21
Japan Airlines 12¾ 94	70	119	+0⅞	8.94
Japan-Dev Bk 10⅛ 92	50	109⅛	0	8.44
Kellog Co 10⅞ 90	100	107⅞	0	8.09
Kellog Co 11¾ 92	100	109	0	9.01
Kiewit 10⅞ 90	100	108⅛	−0⅛	8.17
Kimberley-Clark 12 94	100	120	+0⅞	8.49
Kyowa Fin HK 12⅞ 90	100	109⅛	0	9.66
Long Term Cred 10¾ 90	100	108⅛	−0⅛	7.75
Long Term Cred 11 90	100	110	−0⅛	7.55
Long Term Cred 11⅞ 89	100	110	−0⅛	7.28
Long Term Cred 12 93	100	120⅛	−0⅛	8.16
Macy R H 11¾ 91	100	105	−0⅛	10.21
Marubeni 11¾ 91	100	111⅞	0	8.45
McDonald Fin 11¾ 94	75	108⅛	+0⅛	9.93
Merrill Lynch 12¾ 89	100	106⅛	0	10.21
Michelin 7½ 88	58	98⅞	+0⅛	8.36
Mitsubishi Corp 10½ 92	100	107⅛	−1¾	8.58
Mitsubishi Corp 10¾ 95	200	109⅛	+2	8.92
Mitsubishi Corp 12½ 91	100	116⅞	−2¾	7.93
Mitsubishi Est 10¾ 92	60	107	+0⅞	8.82
Mitsubishi Est 11¾ 88	60	106⅞	−0⅛	6.81
Mitsui Fin Asia 12⅞ 92	100	114½	0	8.89
Mitsui Tst Fin 12 91	100	111⅛	0	8.80
Mobil Corp 10¾ 90	200	107	−1¾	7.93
Montreal City 12⅞ 91	50	113⅞	+0⅞	8.58
Mgn Guaranty 12¾ 89	150	111⅛	+0⅞	7.15
Morgan J P 11¾ 92	100	109⅛	0	8.94
Mount Isa Fin 13¾ 87	100	104⅛	−0⅛	6.87
Ned Gasunie 11¾ 90	75	111⅛	−0⅛	7.75
Ned Gasunie 11¾ 91	75	108⅛	+1⅛	8.92
N Eng Lf Mtg 11¾ 95	149	114⅛	+0⅛	9.12
Newfoundland 13 91	75	114⅞	+0⅛	8.83
Nippon Cred Bk 13⅞ 89	100	115½	−0⅛	7.40
Nippon Cred Bk 9¾ 93	60	89⅛	+0⅛	11.63
Nippon Tel Tel 11¾ 90	100	108⅛	−0⅛	8.33
Nippon Tel Tel 12¾ 91	100	119½	−1	7.77
Nissho Iwai 10¾ 92	100	108	0	8.99
Nova Scotia 11¾ 91	100	106⅛	0	9.90
Nova Scotia 11¾ 98	100	111⅛	0	9.97
Oester Post 12¾ 89	75	111⅞	−0⅛	7.16
Ontario Hydro 11¾ 94	200	118½	−0½	8.15
Ontario Hydro 11¾ 90	200	114⅛	+0⅛	7.33
Ontario 12½ 94	250	124⅛	+0⅛	8.26
Orient Fin 11 92	50	0		
Pacific Gas & El 12 00	75	112⅛	−1½	10.19
Penney J C 11⅞ 90	100	105⅛	+0½	10.10
Penney J C 12¾ 91	100	112⅛	+0½	9.42
Postipankki 11¾ 90	75	109	0	7.99
Post-Och Kred 13½ 87	50	105⅛	0	6.49
Privatbanken 12⅞ 95	100	119⅛	+1⅛	9.10
Prudential Ins 12¾ 87	150	106½	−0⅛	6.32
Pru Rlty Secs 0 98	345	34⅛	+0⅛	9.10
Pru Rlty Secs 11⅞ 92	396	109⅛	−0⅛	9.50
Pru Rlty Secs 12¾ 95	545	116⅛	+0⅛	9.15
Quebec Prov 12¾ 94	150	113⅞	+0¼	9.81
Queensland Gvt 11¾ 89	100	110⅛	−0⅛	7.57
RBC 11½ 90	100	108⅛	+0⅛	8.07
Rural Bk Aust 12 91	50	111⅛	+0⅛	8.71
Sanwa Bank 11⅞ 92	150	112⅛	+0⅛	8.84
Sanwa Ind 11½ 92	100	115⅛	+0⅛	8.02
Saskatchewan 10¾ 92	100	111	+0⅛	8.13
Saskatchewan 10¾ 90	125	109⅛	+0⅛	7.55
Saskatchewan 11⅞ 89	100	111⅞	+0⅛	7.43
Saskatchewan 15 92	150	129⅛	+0½	8.46
Saskatchewan 16 89	125	118⅛	0	7.40
Scot Intl Fin 10¾ 90	50	108	−1	8.04
Sears O/S Fin 0 98	500	35⅛	+0⅛	9.24
Sears O/S Fin 11¾ 93	150	117⅛	+0⅛	8.22
Sears Roebuck 10½ 91	150	106⅛	−0⅛	8.74
Sears Roebuck 11¾ 91	150	113½	0	7.79
Sec Pacific 10½ 88	100	106⅞	+0⅛	6.64
Shearson/Amex 12¾ 94	100	115⅛	−0⅛	9.09
Shell (Canada) 14½ 92	125	114	−0½	10.88
Signal Comps 11¾ 92	125	109⅛	0	9.41
Standard Oil 10½ 89	150	103½	−0⅛	8.68
Statoil 12 88	100	107⅛	−0⅛	6.48
Sumitomo F. A. 10⅞ 90	100	110	0	7.60
Sumitomo Fin 11¾ 92	150	116⅛	−0½	7.93
Sumitomo Fin 12¾ 91	150	118⅛	−0⅛	7.78
Sumitomo Trust 12½ 92	100	116½	0	8.51
Sweden 11½ 89	200	112⅛	−0⅛	7.00
Sweden 12¾ 89	100	112⅛	+0⅛	6.78
Swedish Export 7½ 93	100	98⅛	+0½	7.76
Swedish Export 11½ 89	100	109⅛	−0⅛	6.93
Swedish Export 12¾ 89	100	111⅛	−0⅛	8.24
Taiyo Kobe 11⅞ 90	100	111⅛	0	8.07
Tenneco Corp 11½ 89	150	105⅛	+0⅛	8.55
Texaco Capital 10½ 90	200	99⅞	0	10.68
Texaco Capital 11¾ 95	250	99½	−0⅛	11.79
Texaco Capital 13½ 88	200	106½	−0⅛	10.81
Texas Inst. 11⅞ 91	150	108⅛	+0⅛	9.51
Tokai Asia 11¾ 95	100	117⅛	−0⅛	8.56
Tokai Asia 12¾ 91	100	112⅛	0	8.59
Tokyo Elec Pr 13¾ 89	100	113	0	7.98
Toray Inds 11¾ 92	50	113½	0	7.88
Toronto-Dom 12⅞ 89	50	110⅛	0	7.98
UBS 12¾ 91	100	108½	0	9.84
Utd Tech 11¾ 92	150	113⅛	+0⅛	8.04
Veba 8 93	70	238	0	0.00
West LB 11⅞ 90	100	112⅛	+0⅛	8.14
Westpac 12¾ 92	100	115⅛	+0⅛	8.24
Weyerhaeuser 11½ 90	60	105⅛	−0½	9.87
World Bank 11 92	300	115⅛	+0⅛	7.41
World Bank 11¾ 90	200	114	+0⅛	7.13
World Bank 11¾ 89	250	109⅛	0	6.70
World Bank 12 93	200	122⅛	+0⅛	7.64
World Bank 15 88	150	114½	−0⅛	6.43
World Bank 16½ 88	100	118½	−0⅛	6.23
Yasuda Trust 12¾ 89	100	111	−0⅛	7.35

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Allied Irish ¼ 95	100	100⅛	0	7⅛
Allied Irish ¼ Perp	100	98	0	7⅛
Arab Bank Corp ¼ 96	100	99	0	6⅝
Banco di Roma ⅛ 89	150	100⅛	0	7⅞
Bnc di Roma ⅛ 92 CU	75	99⅞	−0⅛	7⅛
Bankamerica O/S ¼ 96	400	96⅛	−2⅛	6⅝
Bankers Tr NY ¼ 94	200	100⅛	0	6⅞
Bank Montreal ¼ 94 £	100	99½	−0⅛	11⅛
Bqe Nat Paris ⅛ 88	400	101⅛	−0⅛	5⅞
Bqe Nat Paris ⅛ 95	400	101⅞	−0⅛	6⅝
Barclays O/S ⅛ Perp	600	100⅞	−0⅛	7⅛
BBL ⅛ 99	100	100	0	5⅝
BFCE ⅛ 97	400	99⅛	−0⅛	6⅞
BNP 05	300	99⅛	0	5⅝
Belgium ⅛ 04	400	100⅛	0	7⅛
Belgium B 0.03 2011	250	100⅛	0	6⅛
CCF 97	250	99⅛	0	5⅝
CEPME ⅛ 96 £	100	100⅛	0	10⅛
Chase Manhattan ⅛ 00	250	100⅛	0	6⅞
Chase Manhattan ⅛ 09	400	100⅛	+0½	5⅞
Chemical NY ⅛ 98	300	100	0	6⅛
Citicorp O/S ⅛ 91 £	100	99½	−0⅛	9⅝
Citicorp Pan ⅛ 97	250	100	0	6⅛
CNT ⅛ 00	300	100⅛	−0⅛	6⅝
Commerzbank ⅛ 89	150	100⅛	0	7⅝
Creditanstalt ⅛ 96	150	100⅛	0	6
Credit Foncier 97	350	100	0	6⅝
Credit Foncier ⅛ 00 £	100	100⅛	+0⅛	10⅝
Credit Lyonnais ⅛ 96	300	101½	0	7⅛
Credit Lyonnais ⅛ 99	250	100⅞	0	7⅝
Credit Lyonnais ⅛ 00	300	101	+0⅛	6⅝
Credit National ⅛ 95 £	100	100	0	10⅝
Dai-ichi Kangyo ⅛ 96	150			6⅞
Den Danske Bk ⅛ 89	30			7⅝
Denmark ⅛ 90	500			7⅝
Denmark ⅛ 04	500	100⅛	0	6⅛
Eldorado Nuke 89	100	100	−0⅛	5⅞
Elec de France ⅛ 99	400	102	−0⅛	6⅝
ENEL ⅛ 93 £	100	100⅛	0	10⅝
Exterior Int ⅛ 96	125	100⅛	0	7⅛
Ferro del Stat ⅛ 88	100	100⅛	+0⅛	7⅛
Ferro del Stat 97	420	100⅛	0	7⅛
Finnpap ⅛ 95	100	100⅛	−0⅛	6⅛
First Chicago ⅛ 94	100	100	0	6⅛
First Chicago ⅛ 97	200	100	+0⅛	6⅝
Ford Motor Cr ⅛ 91	200	100	0	7⅝
Fuji Intl ⅛ 96	200	100⅛	0	6⅛
GW O/S Fin ⅛ 94	100	99⅛	0	6⅛
Grindlays ⅛ 94	100	100⅛	0	6⅛
Ireland ⅛ 88	50			8⅛
Ireland ⅛ 93 £	50	100⅞	−0⅛	10⅝
Ireland ⅛ 94	300	100⅛	0	6⅝
Ireland ⅛ 96 £	100	99⅞	−0⅛	10⅛
Ireland ⅛ 97	300	100	0	5⅞
Ireland ⅛ 99	300	100⅛	0	6⅛
Italy ⅛ 94	1bn	100⅛	0	6⅞
Italy ⅛ 05	500	100⅛	−0⅛	6⅛
Lincoln S & L ⅛ 99	100	100⅛	−0⅛	7⅝
Lloyds Bank ⅛ Perp	750	100⅛	0	7½
Lloyds Euro ⅛ 93	200	100⅛	0	7⅝
Lloyds Euro ⅛ 04	250			6⅛
Malaysia ⅛ 93	500	97⅞	−2⅛	6⅛
Malaysia ⅛ 94	800	97⅛	−0⅛	7⅛
Man Hanover ⅛ 97	200	98⅞	0	6
Marine Midland ⅛ 94	125	100⅛	0	6⅝
Marine Midland ⅛ 98	125	100	0	6⅛
Marine Midland ⅛ 09	150	100⅛	0	6⅛
Mellon Bank ⅛ 96	250	100⅛	+0⅛	5⅞
Midland Int ⅛ 99	200	100	0	5⅞
Mitsui Fin ⅛ 96	100	100	−0⅛	5⅝
Morgan Grenfell ⅛ 94	50	100⅛	−0⅛	6⅞
Mtg Intermed ⅛ 10 £	50	100	0	10⅛
Nat Bank Canada ⅛ 91	50	100	0	7
NatWest ⅛ 05	400	100⅛	0	6⅛
NatWest Fin ⅛ Perp	300	100⅞	0	7⅝
Neste Oy ⅛ 94	100	100	0	6⅝
New Zealand 2001	350	100⅛	5	5
NZ Steel Corp ⅛ 92	225	100⅛	0	7⅛
Offshore Min ⅛ 91	150	100⅛	0	7⅛
Oster Land Bank ⅛ 99	100	101⅛	+0⅞	5⅝
Portugal ⅛ 92	100	100	0	6⅛
Renfe ⅛ 91	100	100⅛	0	6⅝
Royal Bk Canada ⅛ 05	350	100⅛	+0⅛	6⅛
Sanwa Int Fin ⅛ 92	150	100⅛	−0⅛	6⅝
Security Pac ⅛ 97	250	99⅛	+0⅛	6⅛
Shawmut Corp ⅛ 97	50			6⅞
SNCF ⅛ 93 £	75	100½	0	10⅛
Soc Generale ⅛ 97	400	100⅛	0	6⅛
Soc Generale ⅛ 94	250	100⅛	+0⅛	6⅝
Spain ⅛ 99	500	100⅞	0	7⅝
Spain ⅛ 97	250	100⅛	0	6⅝
Standard Chart ⅛ 94	200	100⅛	0	6⅝
Sumitomo Trust ⅛ 94	100	100⅛	0	6½
Sweden ⅛ 89	500	100⅛	0	6⅝
Sweden 90	700	100⅛	0	6⅛
Taiyo ⅛ 04	100	100⅛	0	7⅝
Thailand ⅛ 05	60	99⅛	0	6⅛
Tokia Asia ⅛ 99	150	100⅛	0	7⅝
Toyo Trust Asia ⅛ 99	100	100⅛	0	7⅝
UBAF ⅛ 90	65			7
Union Bank-Norw ⅛ 95	50			6⅝
United Kingdom 92	2.5bn	100⅛	0	5⅝
Wells Fargo ⅛ 94	150	99⅛	0	5⅞
Wells Fargo ⅛ 96	50	99⅛	0	6⅛
Yokohama ⅛ 94	100	100⅛	−0½	6⅝
Yorkshire Int ⅛ 94 £	45	100	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	282¾	+19¾	4.50
Ajinomoto 5⅞ 96	40	343⅞	+17	1.25
Best Denki 5⅛ 87	15	300⅛	+6⅛	−1.28
Canon 7 97	50	271	+17½	4.72
Daiwa Secs 5½ 96	80	718⅛	−27⅛	−6.73
Elektrowatt 5 98	61	156⅛	+5⅛	−5.37
Fuji Bank 2½ 2000	100	157⅛	−0⅞	−1.13
Fujitsu 3 99	180	139⅛	+23⅛	12.48
Intec Inc 3 99	50	195⅛	+9⅛	−11.84
Kyowa Hakko 6⅛ 97	40	443⅛	−32⅛	−5.79
LASMO 5¾ 99	44	85⅛	−0⅛	138.51
Murata Mfg 3½ 2000	100	174⅛	+25⅛	19.64
Nippon Oil 3¾ 99	50	171⅛	−15⅛	21.60
Ono Pharm 3¾ 98	60	228½	+1½	−3.50
Sanyo Electric 5 98	50	106⅛	−1⅛	2.50
Sumitomo Corp 2⅞ 99	70	283½	−1½	−7.33
Sumitomo Tst Bk 2½ 01	150	152	+7	−3.23
Texaco Capital 11¾ 94	1bn	104	+0⅛	54.07
Texaco Capital 11¾ 94	500	104	−0½	54.07
Tsumura J'tendo 5⅛ 96	30	152⅛	+1⅛	−4.83
USAIR Fin 7 96	50	111½	−3⅛	5.69

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	108⅛	−0½	5.95
Avon Products 6¾ 91	75	101½	−0⅛	6.45
Denmark 6⅛ 92	70	103⅞	−0⅛	5.86
Dow Chemical 7 94	80	102⅞	+0⅞	6.57
Elec de France 6⅞ 96	20	105⅛	−1	6.04
Eurofima 7⅛ 94	10	106⅛	+0⅛	6.46
Eurofima 6¾ 92	10	102⅛	−0½	6.03
FNMA 6⅞ 92	60	103⅛	−1⅛	6.06
GMAC 6⅞ 90	25	102⅛	+0⅛	5.64
Intel 6⅛ 92	12.5	100⅛	−1⅛	6.69
Int-Amer Dev 7⅛ 93	15	105⅞	−0⅛	6.93
ITT 6¾ 92	20	102⅞	0	6.09
McDonald Corp 6½ 92	25	102⅞	+0⅛	5.28
New Zealand 7⅛ 90	15	106⅛	−0½	5.42
New Zealand 7⅛ 89	15	106⅛	−0⅛	5.31
Pacific Gas & El 7 94	20	103⅛	−0⅛	6.40
Penney J C 6¾ 92	20	102⅛	−0⅛	6.12
Proctor 6¾ 92	25	103⅛	−0⅛	5.92
Sallie Mae 6¾ 92	25	103⅞	−1⅛	5.91
TRW 7 94	15	103⅛	+1½	6.47
Utd Technology 6¾ 92	25	102⅛	−0⅛	6.02
World Bank 7 94	20	106⅛	−1	5.96
World Bank 7⅛ 93	70	109⅛	−1⅛	5.97
World Bank 8 93	20	110½	−3⅛	5.97

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bank 5⅞ 87	400	99½	0	7.61
Eurofima 10 94	600	105⅞	+0⅛	8.99
E Coal & Steel 10⅞ 94	1bn	105⅞	+0⅛	9.40
Euro Invest Bk 10½ 94	1bn	109⅛	+1½	8.69
World Bank 10⅛ 89	1bn	104⅛	+0⅛	8.17

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	104⅛	0	5.68
ABN 7⅛ 89	150	105⅛	+0⅛	5.87
Amro Bank 7⅛ 89	150	104⅛	+0⅞	5.60
Amro Bank 8 89	200	104⅛	−0⅛	5.82
Bk Mees & Hope 8⅛ 89	100	105⅛	+0⅛	5.87
Beatrice Foods 8⅛ 89	100	105⅛	+0⅛	5.92
C C Rabo 8 89	150	105⅛	−0⅛	5.68
Denmark 8½ 91	100	109⅛	+0⅛	6.03
Int Stand Elec 8½ 89	100	104⅞	−0⅛	6.18
New Zealand 8⅛ 89	100	105⅛	−0⅛	5.37

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12¾ 91	50	104⅛	+0⅛	11.77
Aust Resources 11¾ 92	50	105⅛	+0½	10.27
Bank of Tokyo 10⅞ 92	75	102	0	10.34
Bqe l'Indosuez 14 91	75	113	−0⅛	10.40
Br Col Munic 12¾ 91	100	109	+0⅛	9.91
Br Col Munic 13½ 91	100	113⅛	+0⅛	9.80
Br Col Tele 12¾ 89	70	104⅛	+0⅛	11.54
Farm Cred Corp 12¾ 90	75	107⅛	0	9.95
Krediatbank 12 92	75	106⅞	−0⅛	10.46
Long Term Cred 11¾ 90	75	104⅛	+0⅛	10.07
Montreal City 12⅞ 91	50	107⅛	0	10.19
New Brunswick 12 95	75	110⅛	−0½	10.07
Nova Scotia 11¾ 95	100	105	−1⅞	10.49
Quebec Hydro 14 91	75	106⅞	+0⅛	11.97

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	105⅛	−0⅛	8.23
Australia & NZ 10¾ 91	50	105⅛	−0⅛	9.13
Austria 10¾ 93	100	111⅛	−0⅛	8.74
BFCE 9¾ 92	100	107⅛	−0½	8.00
Cred National 10½ 94	50	111⅞	−1⅛	8.31
Cred National 11¾ 91	50	109⅛	−0⅞	8.74
Denmark 10⅞ 91	75	102	−3	10.13
Ebco Intl 10⅞ 89	55	103⅞	−0⅛	8.92
EEC 11 93	50	101½	−0⅛	10.70
EEC 11¾ 91	50	108⅛		8.62
EEC 11¾ 93	70	101⅛	−0⅞	10.90
Euro Invest Bk 9¾ 95	200	106⅛	−0½	8.11
Euro Invest Bk 10½ 94	130	112⅛	−0½	7.81
Euro Invest Bk 10¾ 89	50	104⅛	−0⅛	9.24
Euro Invest Bk 10¾ 94	100	110⅞	−0⅛	8.56
Euro Invest Bk 11½ 92	75	111⅛	−0⅛	8.51
Euro Invest Bk 11¾ 93	50	107⅛	−2⅛	9.86
Euro Invest Bk 11¾ 96	50	118⅛		8.29
Genfinance 11 90	70	107	−2	8.83
Giro Vienna 10½ 93	60	110⅞	−0⅛	8.41
GTE Finance 10⅞ 92	50	107⅛	−0⅛	9.14
Ireland 10¾ 95	50	106⅞	−1½	9.02
Italian Govt 10½ 92	[illegible]	111⅞	−0⅛	8.11
Italian Treas 11¾ 90	600	107	−1	8.75
Italy 9¾ 89	200	103½	−0½	7.88
Kreditbank L 9¾ 92	75	104⅛	−0⅛	8.25
Morgan City Tst 8½ 90	100	102½	−0½	7.73
Nippon Cred Bk 11 91	60	108⅛	+0⅛	9.23
Post Och Kred 10⅞ 92	50	89½	−7	10.97
Royal Bk Can 10.5 89	85	103⅛	−0⅛	8.69
SNCI 10⅞ 94	50	109⅛	−1⅛	9.35
Swedish Export 11 89	57	104½		8.35
West LB 10⅞ 91	50	105	−1	9.66
World Bank 10⅛ 88	100	104½	−0½	8.21

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Comm Bk Aust 12⅞ 90	200	96⅛	+0⅛	14.03
Nat Aust Bk 12¾ 89	40	94⅛	−0⅛	15.39
PIBA 12¾ 89	50	93	−0½	15.53
State Bk NSW 12¾ 89	40	96	−0⅛	14.70

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10¾ 91	100	98⅛	+0⅛	11.73
Denmark 10¾ 89	75	99	+1⅛	11.18
EEC 11¾ 94	50	100⅛	+0⅛	11.27
Europarat 11½ 92	50	99½	+0⅛	11.43
Euro Invest Bk 10¾ 92	50	98⅛	+0⅛	11.17
Finland 11⅞ 88	50	100⅛	−0⅛	11.55
Grand Met Fin 10⅞ 90	50	97⅞	+0⅛	11.57
ICI 10¾ 92	75	96⅛	+0⅛	11.62
Int-Amer Dev 11½ 91	60	100½	+0⅛	11.18
Int Stand Elec 11¾ 89	50	99⅛	−0⅛	11.46
Ireland 11¾ 94	50	97⅞	−0½	11.78
New Zealand 10⅞ 88	100	98⅛	+0⅛	11.39
SNCF 11¾ 94	60	99½	+0⅛	11.35
World Bank 10⅞ 89	100	99⅛	+0⅛	10.98
World Bank 10⅛ 89	50	99⅛	+0⅛	10.84
World Bank 11 94	50	98⅞	+0⅞	11.20

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Casio Computer	6/3/89	0		
Credit Suisse	31/5/88	104⅛	+3⅛	−38.91
IC Industries	15/6/88	47⅛	+3⅛	−0.48
International Pirelli	14/6/88	107½		−2.49
Pasco Corpn	6/3/91	0		
Philips Gloeilampen	15/7/88	0		
Prudntl O/S Fndg	15/12/88	310	0	0.00
SBC Finance	17/9/90	77⅛		23.34
Seagram Co	15/9/88	23½	0	−15.77
Swissair Finance	19/9/89	290		4.49
Swiss Bank Corp	20/12/88	122		0.07
Swiss Volksbank A	1/12/88	675		7.61
Union Bk Switz A	30/11/88	32½		22.91

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11¾ 91	16/2/88	87½	−4½	8.83
Coca Cola 11¾ 91	28/11/88	123½	+3½	8.30
Dai-ichi K 6½ 96 B	1/1/96	12½	−2	6.31
Du Pont 13¼ 89	25/8/88	124½	0	8.19
Eksportfinas 13¾ 89	15/9/87	128⅛	−1⅛	8.22
Holland Air 11¾ 91	10/9/88	51⅛	+1	9.68
Ind Bk Jpn 12⅞ 91	5/10/89	169⅛	+9⅛	9.55
Mitsbishi Fr 12¾ 91	8/11/89	161		8.57
J P Morgan 11¾ 90	16/8/87	91	+8	7.90
Taxaco Cap 12⅞ 92	1/8/87	45⅛	−4⅛	11.74
Wlls Frgo A 12⅞ 91	27/12/89	165½	+8	8.54
Weyerhsr C 11½ 90	15/11/87	87½	+2½	8.36

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on October 10.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Politicians back Fiat takeover of Alfa Romeo

BY JOHN WYLES IN ROME

ITALIAN political parties, trade unions and Alfa Romeo workers are beginning to line up behind the rival Ford and Fiat bids for the country's number two car producer even though Fiat may need another 10 days to finalise its takeover proposals.

Fiat executives and engineers spent most of last week at Alfa's headquarters at Arese studying the company's books and production arrangements.

When it pledged the week before last to improve on the Ford proposals, Fiat indicated that its bid would be ready this week. But Mr Gianni Agnelli, the company's chairman, said at the weekend that the bid would now be passed to IRI-Finmeccanica, the state holding company which owns Alfa, "within 10 days."

The final choice between the two bids will be made by the Government on advice from IRI-Finmeccanica which has promised to reply to the Ford offer by November 7.

Fiat has created strong expectations that its proposals will be superior to those of Ford which, in the meantime, are being kept firmly under wraps.

Assuming at least an equivalence between the two bids, Italian politicians are clearly leaning in favour of an "Italian solution" for the troubled producer.

In a survey to be published by the weekly magazine L'Espresso, Mr Renato Altissimo, the Liberal Party leader, says: "It would be better to favour Fiat as an Italian Italian company." This point of view is shared by a senior Republican spokesman while a Communist Party offical said that ceding Alfa to Ford "could be a serious threat to the existence of the national car industry."

By contrast, a poll of Alfa workers carried out for L'Espresso discloses that 65.9 per cent favour Ford. Trade union leaders at Alfa are reported to fear that Fiat will cut jobs and are against strengthening the larger company's already dominant hold on the Italian car market. National union leaders, however, are leaning strongly in favour of Fiat, particularly those in the non-communist CISL and UIL confederations.

Fiat has said that it will be seeking an immediate 51 per cent stake in Alfa and, like Ford, implied that it will run the company's two production plants at their full capacity of 400,000 units a year, as against their current output of around 190,000 units.

Demand for its cars is running so strongly that Fiat believes it can transfer production of some of its best selling models to Alfa while at the same time developing the smaller company's sales potential.

The kernel of its plan is expected to be joint exploitation of the sporty and high performance models of Fiat's Lancia subsidiary alongside those of Alfa.

AMD sheds 500 jobs as loss rises

BY LOUISE KEHOE IN SAN FRANCISCO

ADVANCED Micro Devices (AMD), the US Silicon Valley chip maker, has made 500 workers redundant, ending its 10-year record of full employment.

The company said it was forced to take this action because of continuing poor business conditions and large losses.

In the first quarter ending June 30, AMD reported losses of $26m.

"For the two years of this recession AMD has endured substantial losses while maintaining a no redundancy policy virtually unique in the industry," said Mr WJ Sanders, chairman.

Redundancies and attrition have reduced AMD's workforce by about 900 people since the beginning of the fiscal year. It now employs about 12,800 worldwide.

US bank opposes downgrading

MOODY'S, the US credit rating agency, has lowered the debt and preferred stock ratings of Manufacturers Hanover Corp, holding company for the fourth largest US banking group.

It also lowered the long-term debt ratings of Manufacturers Hanover Trust, the group's lead bank. The action affects about $10bn worth of securities.

Moody's said Manny Hanny's non-performing loans had grown considerably, partly because of the deterioration in its large energy and property portfolios.

Manny Hanny said it strongly disagreed with the downgrading because it did not take fully into account "the enormous increases in capital, continued increases in earnings and management's consistent and timely identification and recognition of problem credits."

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Ebara Corp. ¶‡	70	1991	5	3¾	100	Yamaichi Int. (Eur)	3.750
ICN P'maceuticals §‡	75	2001	15	6¾	100	J. H. Schroder Wagg	6.750
NHK Spring ¶‡	50	1991	5	3⅜	100	Nomura Int.	3.375
Tokai Bank §	100	2001	15	(2⅞)	100	Tokai Int.	*
TDK Corp. ¶‡	150	1991	5	3¾	100	Nomura Int.	3.750
Shinagawa Fuel ¶	40	1991	5	(3¾)	100	Yamaichi Int. (Eur.)	*
SBC Fin. ‡	150	1990	4	7	101⅛	SBCI	6.670
Bacob Fin. ‡	100	1991	5	7¾	101¾	UBS	7.320
Mass Trans. Rlway (a) ¶†‡	75	1991	5	⅛	100	Paribas Asia	–
Aegon ‡	125	1993	7	8	101¾	EBC Amro	7.668
Int. Pirelli ¶‡	75	1993	7	3¼	100	Morgan Stanley	3.250
Hokkai Can ¶	40	1991	5	(3¾)	100	Daiwa Eur.	*
Banco Hispano Am. (b) †‡	100	2006	20	⅛	100	Commerzbank	–
Nippon Paint ¶	50	1991	5	(3¾)	100	Nikko Secs.	*
Marubeni Int. Fin. ‡	30	1991	5	7¾	101⅝	Yamaichi	7.338
Fujian Inv. ‡	50	1996	10	8	101	First Chicago Asia	7.852
ANZ Banking Corp. (c) †‡	300	perp.	–	15bp	100	Morgan Guaranty	–
Elders UK §‡	175	1998	12	5¼	100	CSFB	5.250
Dresdner Bank ¶†‡	250	1991	5	(e)	100	Dresdner Bank	–
Belgium Telephone ‡	100	1990	4	7¼	100¾	Chase Manhattan	7.029
CNI ‡	150	1991	5	7	100½	Samuel Montagu	6.878
EEC ‡	100	1991	5	7	100¾	CCF	6.818
Italy ‡	100	1991	5	7	99¼	Bankers Trust Int.	7.184
City of Stockholm ‡	100	1991	5	7⅛	101⅝	Yamaichi Int.	6.732
Columbia First Fed (f) †‡	150	1996	10	1/16	100	Salomon Bros.	–
AUSTRALIAN DOLLARS							
Hessische Landesbank ‡	30	1991	5	13¾	101¼	Hambros Bank	13.391
Electrolux ‡	50	1990	3½	14½	101	Morgan Stanley	14.029
Aus. Gas Light Co. ‡	50	1989	3	15	101	Orion Royal Bank	14.565
CANADIAN DOLLARS							
Nippon T & T. ‡	200	1991	5	9¾	100⅞	Goldman Sachs	9.522
D-MARKS							
EIB ‡	300	1996	10	6⅛	99¼	Deutsche Bank	6.228
Elders UK §‡	200	1998	12	3	100	CSFB	3.000
Dresdner Bank ‡	500	1991	5	5	107	Dresdner Bank	3.452
Union Bk. Finland ¶‡	150	1993	7	3¾	100	CSFB	3.750
STERLING							
Elders UK §‡	40	1998	12	8	100	CSFB	8.000
SWISS FRANCS							
Y-E Data **§‡	60	1992	–	1¼	100	UBS	1.254
Nichimen Corp. **§‡	50	1992	–	1¼	100	Handelsbank	1.250
Furukawa Corp. **¶‡	80	1991	–	2¼	100	Credit Suisse	2.250
Int. Hydro Corp. §	30max	1994	–	(5¾)	(100)	Bqe Gutzwiller, K. B.	*
Australia ‡	300	1998	–	5	100	UBS	5.000
Yuasa Battery ¶	50	1991	–	(2¼)	100	SBC	*
Royal Trust ‡	200	2006	–	5¼	100	UBS	5.250
Royal Trust **‡	100	1993	–	4¾	100	UBS	4.750
Standard Oil Ohio ‡	150	1993	–	3⅛	100	Morgan Guaranty (Swiss)	3.125
Elders UK §‡	200	1998	–	2½	100	CSFB	2.500
Daicel Chemical ¶‡	100	1991	5	(2¼)	(100)	UBS	*
Sasaki Glass Tokyo **‡	20	1991	5	4⅞	100	Bank Leu	4.875
RTZ ¶‡	155	1997	10	4⅛	100	Credit Suisse	4.125
YEN							
Nissan Motor ‡	10bn	1993	7	8½	117⅝	Daiwa Eur.	5.409
City of Gothenburg ‡	8bn	1991	5	8½	115¼	Mitsui Fin. Int.	4.980
DMC ‡	10bn	1991	5	(d)	101⅛	Daiwa Eur.	–
FRENCH Francs							
Fin. for Danish Ind. ‡	400	1991	5	8½	99⅞	CCF	8.532
DUTCH GUILDERS							
Lease Plan Hold. ‡	50	1991	5	6	99½	Bk Mees en Hope	6.119

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ϕ With bond warrants. ‖ Currency linked. (a) ⅛ over 6m Libor. (b) 6m Libor + ⅛. (c) 6m Libor + 15bp. (d) 1st 2yrs 2½%, last 3 yrs 7½%. (e) 6m Libid flat. (f) 1/16 over 6m Libor.

Insurance settlements for Manville

By David Blackwell in New York

MANVILLE, the fibre glass, forest products and speciality products group which has been operating under the Chapter 11 bankruptcy code since August 1982, has reached agreement with five more insurance groups for payments totalling more than $45m.

The group sued 27 insurance companies in March 1980 seeking a court ruling on their obligation to pay for losses suffered by Manville arising from asbestos-related health claims.

The latest settlements are conditional on final approval by the bankruptcy court of a reorganisation plan for Manville, which has court cases pending in San Francisco against seven other insurance companies.

Although Manville has settled some of the asbestos-related claims against the company, at the end of June there were 17,220 claims for a total of $112.7bn outstanding. Under its proposed reorganisation plan, shareholders face a potential dilution of 98 per cent.

Malayan Banking denies heavy foreign loss

BY WONG SULONG IN KUALA LUMPUR

MALAYAN Banking, Malaysia's largest bank, in which the Government owns a majority stake, has denied incurring heavy losses on its international operations, and has reported that for the year ended June, it made an after-tax profit of 52.3m ringgit (US$20.1m).

The bank noted that while the profit was 57 per cent lower than that of the previous year, the figure was derived after the group had "acted prudently both in the suspension of interest on non-performing loans as well as in the provision for bad and doubtful debts."

These included provision "for all known and anticipated loan losses including the bank's exposures to the International Tin Council, the Malaysian Overseas Investment Corporation, the stockbroking industry, and other corporations directly affected by the Pan-Electric crisis."

Wan Azmi Wan Hamzah, the bank's chief executive, acknowledged that there had been rumours that the bank had incurred losses as high as 1bn ringgit. This has led to a run on several of its branches, and depressed the bank's share price.

He said it would have been impossible for the bank to incur such a heavy loss, as total loans and advances of the bank for the year to June amounted to 8.13bn ringgit, and less than 10 per cent of the amount was lent overseas.

Wan Azmi also pointed out that while the Malayan Banking group's profits suffered a sharp fall, it could be described as satisfactory, considering the severity of the Malaysian economic slowdown.

Banking officials estimated that Malayan Banking incurred a loss of 24m ringgit as a result of the collapse of MOIC, the Malaysian trading group, while its exposure to the International Tin Council crisis was about 120m ringgit.

Demand for Canadian US dollar notes

BY BERNARD SIMON IN TORONTO

THE Canadian Government has begun issuing short-term US dollar promissory notes as an alternative to bank credit lines to support official foreign exchange reserves.

Known as Canada bills, the new instruments were issued for the first time last week through a group of three US and two Canadian dealers, First Boston, Merrill Lynch Capital Markets, Goldman Sachs, Dominion Securities and Wood Gundy.

A dominion securities executive said that interest in the bills from institutional investors in North America and beyond had grown markedly during the first five days of issue. The market believes that Ottawa has so far issued about $150m of the bills, although a government official declined to confirm the amount.

The bills have a maximum maturity of 270 days and are normally available in amounts above $1m.

They provide a cheaper form of short-term borrowing in US dollars than the large bank credit lines on which Ottawa has drawn in the past to support the Canadian dollar. Proceeds from the Canada bill programme may be converted into Canadian dollars instead of being added to foreign exchange reserves.

Air France sees decline

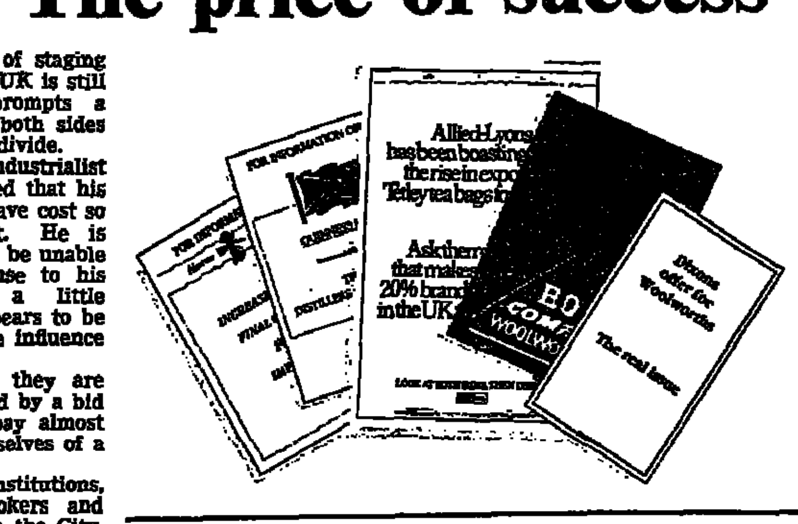
AIR FRANCE, the state-owned airline, expects to make a profit of between FFr 500m and FFr 700m ($77m-$107m) this year, after a profit of FFr 728.9m in 1985 and FFr 533.3m in 1984, Reuter reports from Paris.

Traffic from the US was deterred by the fall in the dollar and terrorist attacks in Europe, while lower income for oil exporting countries due to low oil prices also hit passenger revenue.

UK COMPANY NEWS

David Goodhart looks at the expense involved in takeovers

The price of success—and failure



THE immense costs of staging takeover bids in the UK is still a subject which prompts a nervous reaction on both sides of the City/Industry divide.

The acquisitive industrialist is usually embarrassed that his strategic ambitions have cost so much to implement. He is fearful lest he should be unable to justify the expense to his shareholders and a little resentful that he appears to be able to exert so little influence on the costs.

As for defenders, they are usually so traumatised by a bid they will agree to pay almost anything to rid themselves of a predator.

The investment institutions, merchant banks, brokers and other professionals in the City, who benefit from the underwriting costs and fees, are naturally anxious that the smooth operation of their goldmine should not be subjected to excessive attention.

Nevertheless, even if it is accepted that takeovers concontribute to a more efficient ecortmy, it is not unreasonable to ask whether the bid costs of over £500m in one year alone could not be put to better use.

Mr John Kay, professor of industrial policy at the London Business School, points out that the quality and depth of management training could, for example, be transformed for that sum. The LBS after all costs a mere £8m a year.

How is the figure of £500m arrived at and how is its composition changing?

A random selection of a dozen of the largest bids—failed as well as successful — over the past 12 months highlights several key points.

First, the higher the value of the bid the higher the cost —but in most cases the costs fell, proportionately, as the bids got larger. That is because certain takeover costs such as printing offer documents and some professional fees are usually the same for a £200m bid as for a £2bn bid. The huge £110m cost of Guinness's £2.5bn bid for Distillers is, for example, 4.4 per cent of the bid's value compared with 4.7 per cent in the case of F. H. Tomkins' £9m expenses in its £190m bid for Pegler Hattersley.

Secondly, agreed bids and failed bids invariably cost less than successful contested bids because they usually involve less, if any, underwriting cost and, at least in the case of agreed bids, don't last so long. They also involve less advertising — although these costs are now coming down for all bids following the Takeover Panel's banning of "knocking copy."

Thirdly, underwriting is the biggest single cost—between a third and a half—of most completed bids. But the Government has also been a major beneficiary of the takeover boom perhaps to the tune of £150m over the past year.

There is still a one per cent capital duty on the value of all shares issued by an offeror—although it is possible to qualify for relief if it is an all share bid—and a one per cent stamp duty (soon to fall to ½ per cent) on the value of any business being acquired. (Guinness's takeover of Distillers and Hanson Trust's takeover of Imperial between them probably realised about £70m for the Government.)

Fourthly, the cost of a major defence has been growing. The classic case is Woolworth which spent £15.9m on its defence. This was considerably more than the £11.7m spent by Dixons, the bidding company, despite the fact that Dixons—unlike Woolworth — had an underwriting bill. Woolworth spent a great deal on advertising, but also hired three merchant banks.

Imperial is estimated to have spent about £10m failing to deter Hanson Trust and Allied Lyons spent nearly £12m successfully seeing off Elders IXL.

Mr John Clemes, the Allied finance director, said that about £7m was spent by Allied on advertising with, he hoped, a benefit beyond the bid, and another £5m went in professional fees, of which a hefty chunk must have gone to its merchant banks S G Warburg.

He added, however, that £12m does not properly reflect the cost of diverting the attention of most senior managers to the bid for several months. This view was echoed by Sir Roland McIntosh who led APV's successful £2.5m resistance to Siebe.

"The bid took up 100 per cent of senior management time and we had to bring in an executive from the US to run the business," he said.

Unlike unsuccessful bidders, defenders do not have an opportunity to cover their costs through a capital gain on a share stake. However, unsuccessful bidders are sometimes the, inadvertent, good samaritans of British industry as the future results of escapees like Allied Lyons, Woolworth and McKechnie Brothers will no doubt underline. Following the Elders bid Allied's market capitalisation is nearly one-third greater, which ought to silence any shareholders complaints about high defence costs.

For the unsuccessful bidder recouping costs through a share stake can sometimes be a hazardous business. The aim, as Mr Andrew Cummins of Elders said, is to be in a "win, win situation."

United Biscuits managed it, just, with Imperial. Bid costs there were about £15m and profit on UB's stake was close to £20m. Elders, which spent £30m on the Allied bid, covered its costs partly from profits on the sale of its Allied stake and partly from some hefty dividend payments it received while an Allied shareholder.

Others were not so lucky: Argyll, notoriously, managed a £13.9m profit on its Distillers' shares, but could scarcely cover its £48m costs.

Evered Holdings lost £3m on its McKechnie share stake, taking its bid costs from £1m to £4m. Dixons' remarkably low costs may yet be boosted by up to £5m—the current loss on its share stake in Woolworth. And Turnell & Newall (unless it is allowed to bid again) currently sits on a £6m loss on its AE share stake to add to its £4.5m bid costs.

According to finance directors who have been around long enough to know, the proportionate cost of takeovers has changed very little over the past 10 years and is now, if anything, starting to fall.

Pioneered by Samuel Montagu, and several other merchant banks, US-style successgeared costs — especially for underwriting — has cut the cost of failure. The most notable recent cases are Argyll (which saved £15m) and Dixons.

The trend towards competition is likely to cut the cost of underwriting even on successful bids. Merchant bank fees are, however, likely to rise closer to US levels as "creative banking" practices from the US become more common.

SUCCESSFUL AND UNSUCCESSFUL BID COSTS

	Cost £	Value £	Proportion %
Successful:			
Guinness for Distillers	110m	2.5bn	4.40
Hanson for Imperial	70m	2.6bn	2.70
Burton for Debenhams	24m	580m	4.13
United Newspapers for Fleet	15m	370m	4.05
Tomkins for Pegler Hattersley	9m	190m	4.73
Unsuccessful:			
Elders for Allied Lyons	30m	1.8bn	1.60
Dixons for Woolworth	11.7m	1.8bn	0.65
Rank Organisaton for Granada	10m	753m	1.30
Siebe for APV	3m	220m	1.30

Morgan Crucible hits out at Bell

Morgan Crucible has launched a strong attack on Bell Resources' tender offer for 14.77m ordinary shares at 320p, describing it as unsolicited, unattractive and inadequate.

In a letter to shareholders, Mr James Spooner, chairman, points out that Morgan's share price stood at the offer price only four months ago and points to a compound growth in pre-tax profits of 58.5 per cent per annum and in earnings per share of 73 per cent per annum between 1982 and 1985.

If the Bell tender offer succeeds, its holding in Morgan will increase from 13.4 per cent to 29.9 per cent. Since the offer was announced last Wednesday, Morgan's share price has increased from 263p to 300p, 20p below the Bell offer.

Lendu profit

Investment income was sufficient to cover losses on the rubber production side at Lendu Holdings, in the first half of 1986. Pre-tax profits came to £36,531 (£1,349 loss) after income from fixed asset investments of £27,265 (£32,393), interest received £21,048 (£31,700) and gain on sale of investments of £13,739 (£694). Turnover fell to £39,239 (£51,,383) and earnings per 5p share were 1p (0.06p losses).

The directors said that there was no news on 133 hectares of Lendu Estate at present under notice of compulsory acquisition by the Malacca State Government. They added that a decision was expected by next month.

Westminster

A provision of £250,000 has been made by the directors of Westminster and Country Properties which reduces the book value of an income-producing industrial estate at Newton Abbot. It reflects the weak market conditions in the industrial property sector.

The directors expressed confidence that, despite the effect on profitability of increased overheads resulting from the move to London and the employment of additional staff, both there and at Exeter, there would continue to be a growth in profitable activities.

In the meantime, figures for the year to April 30 1986 showed pre-tax profits of this property development and investment company were down from £917,000 to £722,000. Group turnover rose from £6.96m to £7.01m. Rental income was lower at £515,000.

Bestwood

Bestwood, the investment and property services company headed by Mr Tony Cole, yesterday announced that it has bought a further 770,000 shares in Llanelli-based Buckley's Brewery, raising its total stake from 9.89 per cent to 15.05 per cent. Buckley's shares jumped 9p to 122p on the news.

Ultramar

Mr Ron Brierley's IEP Securities has sold a small part of its 13.2 per cent stake in Ultramar, the independent oil company.

The IEP disposal was of only 600,000 shares but was enough to depress Ultramar's share price on Friday which closed 8p down at 162p.

F.T. Share Information

The following securities have been added to the Share Information Service: Nationwide Bldg Soc 9¼pc 7/9/87 (Section: Loans, Building Societies), Ratcliffe (F. S.) Inds (Engineering).

Sharp midterm rise in Hunter's profits

Hunter, furniture manufacturer and property developer, reported a sharp rise, from £497,000 to £722,000, in profits before tax for the six months ended June 30 last. The performance since the half-year continued to be satisfactory and the directors were confident that the full year would produce another excellent result.

Hunter Plywood enjoyed a good half-year, with the DIY distribution business, in particular, performing well. Christies and Vesey, acquired in the early part of the year, was rapidly being integrated into the group and already making a positive contribution.

Abco Holdings, a Gibraltar-based property company was progressing well with the development of the Casemates triangle site. The interest charge of £440,000, up from £205,000 for the corresponding period, reflected the holding costs of the acquisition of Abco, which would not begin to make a significant contribution to earnings until the development was completed in 1988, directors said.

Turnover in the first six months rose from £13.58m to £19.65m. Cost of sales was £17.09m (£11.73m), distribution costs amounted to £665,000 (£368,000) and administration expenses were £867,000 (£835,000). Other operating income was £139,000 (£52,000) leaving the operating profit at £1.16m (£702,000).

Tax charge was £181,000 (£183,000), leaving earnings per 10p share of 10.1p (6.5p). There is no interim payment.

Hunter is one of the Hillsdown Holdings string of companies.

Lorlin growth accelerates

Lorlin Electronics has produced record interim results for the period to June 30 1986. Profits, before tax, are up from £435,000 to £513,000 on turnover of £2.58m against £2.13m.

Order books at this USM-quoted switches and connectors group have continued to grow and to meet demand the number of employees at both the Littlehampton and Billingshurst factories have been increased.

New working methods were being implemented at the factories, directors said, and automation would be introduced to make the assembly operations among the most highly productive in the component industry. The effect of some of these measures would be felt in the second half of the year and the company was on course to exceed the projected turnover of £5m.

The directors stated that while the results and the encouraging outlook justified a further increase in the interim dividend its was considered prudent to preserve cash resources to assist in financing increased working capital. The directors decided therefore to leave the present interim unchanged at 1p per share net and to pay a higher final—last year's was 1.5p paid from £928,000 pre-tax.

Tax took £180,000 (£160,000) leaving net attributable profits £333,000 (£275,000) or 6.36p (5.31p) per 20p share.

Farmer into receivership

BY PHILIP COGGAN

THE attempt by Mr. John Briggs, the company doctor, to rescue SW Farmer Group, the engineering company, has failed. The directors announced that having taken advice from their financial and legal advisers it had been decided that Farmer could not continue trading.

Mr Briggs became chairman of the group in March and began a programme of rationalisation with the aim of cutting losses which had reached £1.25m in 1985. In August, share dealings were suspended and two directors of the little-known private company, RCR International, which had built up a 26 per cent stake joined the board.

It was hoped that the new board could put together a financial reconstruction, but Mr Briggs said that he was "terribly sad" that despite further cost cutting moves, including the sale of the group's headquarters, it had proved impossible to save the group.

Mr Ian Phillips and Mr Anthony Brierley of accountants Arthur Andersen have been appointed as receivers.

Tod profits on target

TOD, the USM-quoted holding company, reports profits before tax of £1.34m for 1985-86, a 15 per cent increase on the restated profit for the previous year and in line with the forecast made at the time of the Straeker acquisition in July.

The directors regarded the result as an excellent performance in markets where there had been low level of demand and which had been as competitive as ever. All operations had performed well.

Westbrick Plastics, acquired in September 1985, contributed substantially to profits in the period. Paramount Fabrications (acquired in January 1986) and Straeker, which came in after the half year, were both performing well.

At the year-end Tod had a strong balance sheet and that continued to apply following the acquisition of Straeker. The company was able to provide its operating subsidiaries with the resources to achieve profitable growth and increases in earnings per share, directors said.

Tod's activities were all trading well in the current year with encouraging order books and turnover running ahead of that at the equivalent period of last year.

Turnover in the period under review showed an improvement from £6.64m to £11.1m and operating profits were up from £975,000 to £1.25m before interest receivable of £88,000 (£188,000).

Tax took £370,000 (£482,000) leaving earnings per share of 13.8p (9.7p) for the 5p ordinary shares. The total dividend is raised from 2.75p to 3.3p with a final of 2p (1.65p).

THOMAS FRENCH has agreed the sale of South African subsidiary Thomas French and Sons (SA) Pty to Mr David Watson, chairman and owner of a number of South African companies. At as September 28 1986 net tangible assets were £694,000.

CVD Incorporated, chemicals group, yesterday announced its graduation from the Unlisted Securities Market to a full listing. CVD, which manufactures materials for commercial and military use by the chemical vapour deposition process, joined the USM in October 1984.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisoins shown below are based mainly on last year's timetable.

TODAY

Interims: Edinburgh Investment Trust, Farnell Electronics, Fothergill and Harvey, IBL, Remble Rubber, H. C. Slingsby, Steel Brothers.

Finals: Bryant Holdings, Medminster, Remus.

FUTURE DATES

Interims—	
Cowells	Oct 16
Hammerson	Oct 22
Helene of London	Oct 15
Nu-Swift Industries	Oct 16
Peek Holdings	Oct 15
River and Mercantile Trust	Oct 16
Triefus	Oct 20
Wattern Brothers	Oct 21
Finals—	
Ericsson (L. M.)	Nov 12
Global	Oct 17
International City	Oct 22
Leisure Investments	Oct 15
Lucas Industries	Nov 7
Rand Mines Properties	Oct 23

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Abbey Life	Oct 15	Interim 2.2
AB Foods	Nov 4	Interim 1.9
Allied Irish Banks	Nov 14	Interim 4.6
Amersham Intl	Nov 11	Interim 2.42
Arana	Nov 11	Interim 5.0
Beazer (C. H.)	Oct 25	Final 8.0
*Bejam	Oct 15	Final 2.0
British Car Auction	Oct 29	Final 2.0
British and Com. Shipping	Oct 24	Interim 2.2
*Cable and Wireless	Nov 20	Interim 3.5
Cater Allen	Nov 7	Interim 8
De La Rue	Nov 12	Interim 8.25
Eastern Produce	Oct 25	Interim 2.5
Etam	Oct 23	Interim 1.5
Fisher (A.)	Oct 17	Final 1.2
GEI Intl	Nov 12	Interim 1.94
*Glaxo	Oct 14	Final 14.0
Gt Portland Estates	Nov 12	Interim 2.0
*Hammerson Prop.	Oct 22	Interim 2.0
*Harrisons and Crosfield	Oct 14	Interim 4.5
*Hawker Siddeley	Oct 22	Interim 4.5
Hepworth (J.)	Nov 5	Final due
Hill Samuel	Nov 8	Interim 3.6
*Inchcape	Sept 29	Interim 7.15
LWT	Nov 14	Final 9.232
Land Securities	Nov 13	Interim 2.9
*London and Northern	Oct 23	Interim 2.1
*MEPC	Nov 28	Final 8.0
*Marks and Spencer	Oct 28	Interim due
*Rockware	Oct 15	Interim due
Sainsbury (J)	Nov 5	Interim 1.4
Senior Eng	Oct 14	Interim 0.825
Smiths Inds	Nov 13	Final 3.0
Staveley Inds	Nov 14	Interim 5.5
Tesco	Nov 13	Interim 2.1
UEI	Oct 14	Interim 2.0
Valor	Nov 13	Interim 1.358
Wolseley	Oct 28	Final 8.0

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	Oct. 10	Oct. 9	Oct. 8	Oct. 7	Oct. 6	Oct. 3	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.68	83.21	82.49	82.98	82.74	82.75	94.51	80.39	127.4	49.18
Fixed Interest	89.84	89.70	89.56	89.69	90.00	89.98	97.68	86.55	150.4	50.53
Ordinary	1265.4	1268.1	1248.1	1257.3	1251.2	1234.0	1425.9	1094.3	1425.9	49.4
Gold Mines	319.3	332.1	333.5	329.4	316.2	328.6	357.8	185.7	734.7	43.5
FT-Act All Share	789.46	791.09	782.10	783.65	777.75	770.44	832.39	664.42	832.99	61.92
FT-SE 100	1599.4	1608.6	1587.8	1592.3	1578.9	1560.8	1717.6	1370.1	1717.6	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§45	F.P.	—	59	49	‡Broad St. Grp.10p	51	+1	b1.1	2.2	3.0	21.1
§130	F.P.	17/10	196	152	‡Creighton Labs 20p	196	+1	U3.7	2.2	2.7	23.8
160	F.P.	24/10	146	123	Euro Home Products 5p	143	+1	R4.25	2.5	4.2	11.1
§105	F.P.	16/10	112	103	‡Eve Construction	106	.....	u4.5	3.2	6.0	7.5
§235	F.P.	24/10	164	145	‡Great Southern 10p	164	+2	R5.2	2.2	4.5	14.0
[illegible]	F.P.	—	28	27	Group Development	28	+1	—	—	—	—
105.25	F.P.	—	108	104	India Fund £1	108	.....	—	—	—	—
§135	F.P.	24/10	190	145	‡Local London Group 5p	190	+7	W5.0	1.8	3.7	21.4
110	F.P.	—	124	119	Marlbor'gh Tech Man 5p	124	+4	R2.70	3.1	3.1	12.5
§105	F.P.	24/10	150	138	‡Miller & Santhouse 5p	150	.....	u2.25	2.4	2.1	28.0
§75	F.P.	24/10	79	73	‡Newage Trans 5p	75	+1	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	+½	—	—	—	—
§90	F.P.	—	90	88	‡Radamec Group 5p	90	.....	—	—	—	—
135	F.P.	24/10	163	151	Sandell Perkins 10p	163	.....	R1.28	5.7	2.0	12.3
—	F.P.	3/10	18½	9	Sutcliffe Speak Wrnts	12	−4	u3.8	2.9	3.3	15.0
100	50	—	102	85	TSB	85½	.....	—	—	—	—
‖‖	F.P.	—	385	335	‡Utd. Trust & Credit £1	343	−2	W4.26	3.1	4.4	10.4
125	F.P.	10/10	156	136	Yorkshire TV	146	.....	u14.0	2.1	5.7	11.9
								R6.25	2.4	6.0	9.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	—	1½pm	½pm	Comtech Finance 11½% Cnv. Uns. Ln. 1996	1pm	.....
§100	£10	—	12	11¼	East Worcs. Water 12½% Red. Deb. 94-96	12	+¼
§100	£10	—	10¼	10½	Essex Water 11¼% Red. Deb. 2002-04	10¼	+¼
‖	Nil	14/11	7ppm	6ppm	‡Goodhead Print 7% Cnv. Red. Prf	7ppm	.....
§100	£10	15/5	9½	3½	Mid-Sussex Water 11% Red Deb 2012-16	4½	+1
§99.937	£25	24/10	25¼	22¼	Nationwide 3¾% I.L. Ln. 2021	25	1¼
—	F.P.	—	100⅛	99	Do 10⅛% 21/9/87	99	.....
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1st Mort. Deb. 2016	19½	+½
—	F.P.	—	113p	104p	Scott. & Newcastle 7% conv. Pref. £1	113p	+1
—	F.P.	3/10	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	96p	−2
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. red. Pref. 1999	117p	−1
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	94p	.....
¶¶	F.P.	—	104p	101p	Williams Hldgs 5¼% Cum Cnv Prf	101p	.....

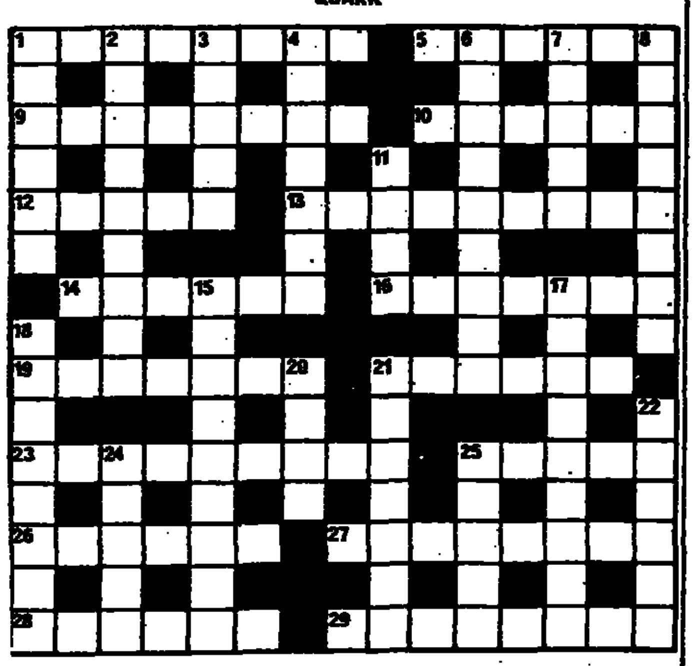
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
125	Nil	21/11	18pm	8pm	Appleyard Group	18pm	+6
140	Nil	—	24pm	21pm	Banro Inds. 20p	23pm	.....
180	Nil	—	9pm	3pm	Beazer (C.H.) 10p	6pm	−1
120	Nil	21/11	22pm	16pm	Brent Chemicals 10p	18pm	−2
70	Nil	13/11	66pm	63pm	Bromsgrove Inds.	64pm	.....
195	Nil	24/10	18pm	3pm	Bunzl	4pm	+1
71	Nil	—	6pm	6pm	Burns Anderson 10p	6pm	.....
8	Nil	24/10	1pm	½pm	Cambium Venture Cap. 5p	¾pm	.....
25	Nil	27/10	8pm	4pm	Christy Hunt	4pm	.....
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	4pm	−1
75	Nil	11/11	30pm	24pm	Ind. Fin. & Inv. Corp.	27pm	+2
85	Nil	—	1pm	1pm	Lawrence (W)	1pm	.....
30	Nil	25/11	9pm	6pm	Leisuretime Intl.	6pm	.....
215	Nil	24/10	5pm	2pm	New Court Nat.Res. 5p	2½pm	.....
5	Nil	21/11	1pm	½pm	Platignum 5p	1pm	.....
140	Nil	13/11	26pm	13pm	Tilbury Group	24pm	−2
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	5pm	−1
60	Nil	21/11	13pm	9pm	United Spring 10p	9pm	.....
60	Nil	11/11	11pm	8pm	Western Selection 20p	9pm	.....

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No. 6,149

QUARK



ACROSS

1 Drunk after the Depression? (4-2-2)
5 An account's something binding (agreement) (6)
9 They're often blowing though must be fit (8)
10 Comprehensive girl runs round high ball (6)
12 General companion for old physician (5)
13 Doctor met a rich upper-class person with a complaint (9)
14 Bold newspaper display without issue (bind!) (6)
16 Bob's only one such, nowadays (7)
19 Not in play—inch out, perhaps (2,5)
21 Announcer does trust English being used (6)
23 Member in laboratory to need a form of carbon? (9)
25 We hear certain month's for this crop (5)
26 The French gain—could be easygoing? (6)
27 Money and maturity combine for tax! (8)
28 Smoking jacket? (6)
29 At this place a book is essential (8)

DOWN

1 Standard foreign exclamation provides a sort of promise (6)
2 Provide for the break with this? (6-3)
3 Month's advance (5)
4 Find it's close in newly-constructed hut (7)
6 One recognised by his features? (9)
7 Gold piece produces influence (5)
8 Sticky dainty (8)
11 Part of net some homes have (4)
15 A foolish speed to suggest (9)
17 Land next to house, rude one (with gale blowing) (9)
18 Archer? eg rival learner bowing (8)
20 Bluff person (4)
21 x, perhaps, in expression (7)
22 Second failure (6)
24 Part of churchman's establishment? (5)
25 A thousand in church is moderate? (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dat Gilt Fd	67.9	69.0	+0.1	—
U.S. Govmnt Bond Fd	50.514	0.517	....	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cap & Equity Tst	48.4	51.5	+0.3	7.62
Growth Trust	51.4	54.7	-0.3	2.26
Income Trust	53.3	56.8	....	5.11

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	68.5	72.0	....	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	128.2	136.4	+0.5	3.16

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12		102.8	-3.1	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.9	217.8	....	—
Equity Ser. 1	101.1	106.5	+0.8	—
Prop. Acc. Ser 2	278.5	293.2	....	—
Equity Ser 2	109.8	115.6	+0.7	—
Selective Acc.	234.6	247.0	+0.8	—
Prop. Ser. 4	220.1	231.7	....	—
Equity Ser. 4	113.1	119.1	+0.6	—
Fixed Int. Ser. 4	176.5	185.8	+1.5	—
Indexed Ins. Ser. 4	109.8	115.6	+0.2	—
American Ser. 4	256.2	269.7	-0.3	—
High Inc. Ser. 4	285.2	300.3	+1.0	—

City of Westminster Assurance—Contd.

Far East Fund	223.1	274.9	+0.5	—
North American Fund	172.1	181.2	-1.3	—
Natural Resources Fund	148.1	155.9	-0.4	—
Pension Managed Fund	373.7	393.5	+0.1	—
Pension Equity Fund	239.5	252.5	+4.5	—
Adventurous Mngd Fd	118.3	124.6	-0.6	—
Balanced Mngd Fd	116.3	122.5	-0.3	—
Conservative Mngd Fd	110.0	115.8	+0.7	—
European Fund	107.7	113.4	+0.4	—
International Fund	115.8	121.9	-2.1	—
S.U.N. Flagship Fd	125.8	132.5	+0.1	—

For other prices please telephone 0908 606101/660880

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	133.2	140.3	-0.5	—
Equity	149.3	157.2	-0.6	—
Property	109.7	115.5	....	—
Gilt & Fixed Interest	108.3	114.1	+1.2	—
Indexed Securities	98.2	103.4	....	—
Cash	107.9	113.6	....	—
North American	100.9	124.0	-0.8	—
Far East	134.6	141.7	-0.5	—
International	127.2	133.9	-0.8	—
Special Situations	144.4	152.0	-1.0	—
International Income	139.5	146.9	-1.4	—
American Income	118.0	124.3	-1.3	—
European	152.2	160.3	-0.6	—

Flexible Retirement Plan

Mixed	137.6	144.9	-0.7	—
Equity	143.3	150.9	-0.7	—
Property	115.2	121.3	....	—
Gilt & Fixed Interest	114.2	120.3	+1.2	—
Indexed Linked	99.8	105.1	+0.1	—
Cash	115.9	122.1	+0.1	—
North American	113.5	119.5	-1.0	—
Far East	153.1	161.2	-0.8	—
International	136.2	143.4	-1.1	—
Special Situations	162.8	171.4	-1.5	—
European	178.9	188.4	-2.5	—

Executive Investment Pension Plan
Prices on October 8. Unit dealings on Wednesday

AUTHORISED UNIT TRUSTS & INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $18.84 +0.05

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $16.14
Inv. Adv.: M. & G. Inv. Mngt. Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $16.68
Dynamic Gwth Fd $19.22

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $12.07 12.77

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fnds Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	9.89	6.64	9.69	3-mth
7-day Fund	9.05	6.78	9.89	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.43	6.61	9.64	6mth
7-day Fnd	9.82	6.59	9.61	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.05	6.75	9.62	6-Mth
7-day Fund	9.16	6.85	9.82	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.80	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq.	9.25	6.93	10.09	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.59	11.06	Mth
Bank of Scotland				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	28
BSR	11	Polly Peck	36
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min.	2½
GKN	32	Brit Petroleum	48
Hanson Tst.	16	Burmah Oil	30
Hawker Sidd.	48	Charterhall	4
ICI	55	Premier	3½
Jaguar	38	Shell	55
Ladbroke	32	Tricentrol	11
Legal & Gen	24	Ultramar	18
Lex Service	28	**Mines**	
Lloyds Bank	38	Cons Gold	40
Lucas Inds	52	Lonrho	24
Marks & Spencer	18	Rio T Zinc	50
Midland Bk	44		
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)					
21 May 21 Nov	Exch. 2½pc 1986	99	14.4	2.52	9.46
22Jul 22Jan	Exch. 13¼pc 1987	100	16.6	13.17	10.42
10 Aug 10 Feb	Treas 10½pcCv '87	99	4.7	10.28	10.91
24Aug 24Feb	Exch 2½pc 1987	98	18.7	2.55	7.70
6Oct 6Apr	Exch. 10½pc 1987	99	1.9	10.52	10.92
1 Nov 1 May	Funding 6½pc 85-87	98	25.9	6.61	9.95
12Dec 12Jun	Treas. 10pc 1987	99	5.5	10.05	10.80
14Jan 14Jly	Treas 3pc 1987	96	30.6	3.10	8.21
3May 3Nov	Treas. 12pc 1987	101	29.9	11.86	10.92
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	96	19.6	8.00	10.95
10Nov 10May	Exch 10½pc '88	99	3.4	10.56	11.04
14Dec 14Jun	Treas 9¾pc Cv '88	98	8.5	9.94	10.97
1Jan 1Jul	Transport 3pc '78-88	91	27.5	3.25	8.16
25 Apr 25 Oct	Treas. 9½pc '88	97	18.9	9.75	11.01
22 Aug 22 Feb	Treas 11½pc 1989	100	16.7	11.40	11.02
18 Oct 18 Apr	Treas 9½pc Cnv 1989	96	11.9	9.82	11.02
15Nov 15May	Treas 3pc 1989	87	8.4	8.41	8.38
14Dec 14Jun	Treas 10½pc 1989	98	8.5	10.66	11.05
1Feb 1Aug	Exch.10pc 1989	97	25.6	10.28	11.09
29 Mar 29 Sep	Exch 11pc 1989	99	26.8	11.01	11.10
15 Apr 15 Oct	Treas 5pc 1986-89	88	8.9	5.64	9.44
15 May 15 Nov	Exch 10½pcCv '89	101	8.4	10.15	8.89
15 Jul 15 Jan	Treas 13pc 1990‡‡	105	9.6	12.38	11.00
12 Aug 12 Feb	Exch 11pc 1990‡‡	100	7.7	11.00	11.03
22 Sep 22 Mar	Exch. 12½pc 1990	104	18.8	12.02	11.04
8 Nov 8 May	Treas. 3pc 1990	83	2.10	3.58	8.41
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	93	9.5	8.80	10.32
25 Apr 25 Oct	Treas. 10pcCv 1990	96	18.9	10.37	11.03
22 May 22 Nov	Exch 2½pc 1990	80	15.4	3.11	8.28
10 July 10 Jan	Treas 11¾pc 1991	102	3.6	11.51	11.04
5Oct 5Apr	Funding 5¾pc '87-91‡‡	87	1.9	6.55	9.15
13 Nov 13 May	Treas. 3pc 1991	80	—	3.74	8.31
Five to Fifteen Years					
25Apr 25Oct	Exch. 11pc 1991	100	18.9	10.99	10.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Ap Jy Oc Ja	Chemical New York	31	10.9	$2.60	—	5.7
Mar Jun S D	Chesebrough-Pond's $1	31	29.8	$2.00	—	4.3
Mar Jun S D	Chrysler $6¼	26	10.9	$1.40	—	3.7
My Au N F	Citicorp $4	34	24.3	$2.26	—	4.5
Fb My Ag Nv	CityFed Fin. Corp	10	30.12	40c	—	2.6
F My Au N	Colgate-P. $1	27	22.4	$1.36	—	3.4
Mr.Ju.Se.De.	Colt Inds. $1	67	10.6	$2.50	—	2.5
Fe My Au Nv	Cons. Freightways $0.625	25	6.5	82c	—	2.2
Fe My Au Nv	Contl Illinois Corp $1	500p	—	—	—	—
Fe My Au Nv	Cont Illinois Hldgs $1	19	3'84	—	—	—
—	♦Corporate Data Scnce	93p	—	—	—	—
—	Cullinet Sftwr $0.1	456p	—	—	—	—
—	Dawson Oil 40c	48p	—	—	—	—
Mar Jun S D	Dana Corp. $1	20	22.8	$1.28	—	4.3
—	Data General	19	—	—	—	—
—	♦Derma-Lock Medcl	10p	—	—	—	—
Mr Jn Sp Dc	Dun & Bradstreet $1	72	15.8	$2.56	—	2.4
F My Ag N	Eaton Corpn. 50c	49	30.7	$1.60	—	2.2
MrJnSepDec	FPL Group $0.01	22	26.8	$2.04	—	6.3
—	Fairmont Fin.	11	—	—	—	—
F May Au N	Fin. Corpn. Amer. 50c	540p	25.6	—	—	—
Jan Apr Jly O	First Chicago $5	19	1.9	$1.32	—	4.7
Mar Jun S D	Ford Motor $2	37	30.7	$2.20	—	4.0
Mar Jun S D	GATX 62½c	22	9.9	$1.50	—	4.7
April Oct	Gen. Elect. $1¼	51	3.6	$2.32	—	3.1
—	♦General Host Corp $1	964p	—	22c	—	1.6
Mar Jun S D	Gillette $1	27	29.7	$2.72	—	6.8
Fb.My.Aug.Nv.	Gt Am First Svgs Bk $1	12	25.7	426.7c	—	1.4
Fe.My.Au.Nv.	Gt. Western Fin. $1	28	30.4	$1.20	—	2.9
Ja Ap Jy Oc	Greyhound $1.50	23	27.8	$1.26	—	3.7
Ja No Au My	Hasbro Inc $0.50	17	10.8	9c	—	0.3
Mar Jun S D	Honeywell $1.50	48	26.8	$2.00	—	2.8
No Au Ap Ja	Hospital Corp Am $1	25	30.9	50c	—	1.3
Mr Jn Se Dc	Houston Inds Incl	22	12.8	$2.80	—	8.5
Mar Jun S D	IBM Corpn $1.25	85	8.4	$4.40	—	3.5
Ap Jy Oc Ja	IC Industries	17	9.9	72c	—	2.8
Ja Ap Jy Oc	ITT Corpn. $1	36	4.8	$1.00	—	1.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

—	—	♦Colby Res Corp.	37	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	£17¼	14.7	Q100c	♦	16.6
—	—	♦Emex Int. Ir10p	25	—	—	—	—
—	—	Greenwich Res.	136	—	—	—	—
Apr	Oct	Hampton Areas 10p	146	23.12	♦1.0	—	1.0
—	—	♦Highwood Res.	235	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£20¾	30.7	Q20c	—	0.7
—	—	♦McFinley Red Lake	199	—	—	—	—
—	—	♦Musto Explorations	223	—	—	—	—
—	—	♦New Sabina Res C$1	35½	—	—	—	—
—	—	Northgate C$1	348	9.77	—	—	—
Jan.	July	RTZ	712	12.5	22.0	2.4	4.4
Jan	July	Do. 9⅝pcLn '95-2000	£148¾	12.5	Q9½%	15.5	6.5

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

● "Tap Stock".
* Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
† Interim since increased or resumed.
‡ Interim since reduced, passed or deferred.
‡‡ Tax-free to non-residents on application.
♦ Figures or report awaited.
♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Dealt in under Rule 535(3).
# Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress.
♣ Not comparable.
♦ Same interim: reduced final and/or reduced earnings indicated.
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
ŧ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60xd	......	Fin. 13% 97/02	£95⅞	......
Craig & Rose £1	£13½	......	Arnotts	270	......
Finlay Pkg. 5p	47xd	......	CPI Hldgs	40	......
Holt (Jos) 25p	820xd	......	Carrol Inds.	113	+2
IoM Stm. £1	75	......	Dublin Gas	38	......
			Hall (R. & H.)	80	......
IRISH			Heiton Hldgs.	29	......
Fund 13¼% 1988	£97⅝xd	......	Irish Ropes	92xd	......
Nat. 9¾% 84/89	£92⅞	......	Unidare	235	......

"Recent Issues" and "Rights" Page 25
(International Edition Page 21)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

CONSTRUCTION CONTRACTS

Birmingham convention centre complex

BY JOAN GRAY

R. M. DOUGLAS CONSTRUCTION, Birmingham-based member of the Douglas group, has been appointed management contractor for building a £85m convention centre in a joint venture with Turner Corporation of the US.

Believed to be the largest in the UK, the International Convention Centre is being designed to supplement Birmingham's National Exhibition Centre, constructed by Douglas for £30m in 1973.

To be built next to the Repertory Theatre, the new centre is sited between Broad Street and Cambridge Street, bounded on the east by King Alfred Place and on the west by the Birmingham Canal.

The new Centre will have 11 halls of different sizes, including 1,500 seat and 2,200 seat auditoria; a banqueting hall to seat 1,100 and a smaller banqueting hall seating 350; a theatre, and a concert hall.

"The most difficult part of the project," said Douglas's managing director Mr Michael Manzoni, "will be the specialist services: the multi-language translation systems, auditorium systems, acoustics, concert hall equipment and fire alarms."

For this reason Douglas—which has never built a large convention centre before—decided to go into joint venture with the New York-based Turner Corporation.

Turner is one of the largest construction companies in the US, where it has already built several convention centres, including Madison Square Gardens and the Lincoln Arts Centre in New York, as well as other centres in Ohio, Philadelphia, Cleveland, Syracuse and Los Angeles.

Douglas chose Turner as its partner after visiting "the US looking for expertise in building convention centres and in management contracting after the project was first announced two years ago," said Mr Manzoni.

"After our visit, some possible US partners came to the UK to give us presentations and then we set up the venture with Turner after a revisit to America."

The management contract was awarded by Birmingham City Council's company NEC Ltd after competitive tender and interviews with the proposed management team for the project.

Building the convention centre will provide jobs for up to 1,000 people for three and a half years.

Work will start on site in January, and Douglas and Turner are now working with the designers on the final stages of planning the project.

Another Sainsbury supermarket

WIMPEY CONSTRUCTION UK has received contracts for housing refurbishment and retail development totalling some £8m. A £4.62m complex of over 5,000 sq m is to be built for J. Sainsbury at Bedingfield Way, Bury St. Edmunds, Suffolk, involving erection and fitting-out and including three sublet shop units. External works include parking for 480 cars, drainage and landscaping, and the development is due for completion in September 1987. Homebase has awarded a contract worth £2.04m for the erection and fitting-out of a single-storey house-and-garden centre, in Claydons Lane, Rayleigh Weir, Essex. The floor area will be some 3,300 sq m. The contract is due for completion in June.

Valued at just over £1m, Wimpey has been awarded a contract by the London Borough of Havering, for the refurbishment of housing in Harold Hill. Due for completion in April, the work comprises external wall insulation and window replacements on 103 houses and flats, together with the rebuilding of screen garden walls. Another refurbishment contract, let by The London Borough of Bromley and valued at £414,000 is for the refurbishment of 54 homes in Chipperfield Road, St Pauls Cray, Bromley, Kent. Completion is due in June.

Jetties for America's Cup yachts

TEAMWORK CONSTRUCTION PTY, Australian subsidiary of Taylor Woodrow, has won A$2.2m (£900,000) design and construct contract for jetty works to prepare mooring facilities for visitors to the America's Cup sailing competition early next year. The order, for the work at Hillarys boat harbour about 15 km north of Perth on the Indian Ocean has been placed by the Western Australian Department of Marine and Harbours. Work has started and entails building more than 320 mooring pens for boats from 10 to 25 metres long, which are expected during the America's Cup in January and February. The contract is due for completion in December. These pens can be subsequently converted to provide moorings for up to 400 small to medium boats between 8-15 metres in length. The jetties will be supported by tubular steel piles and will have hardwood mooring piles. They will include pre-stressed, pre-cast concrete walkway units and pre-cast concrete floating pontoons in the walkways and finger pier jetties.

Psycho-geriatric hospital

SHEPHERD CONSTRUCTION has secured contracts worth a total of almost £12m. This includes psycho-geriatric hospital in West Bromwich, Stockport's new magistrates court and a Sainsbury's supermarket at Hanley, Stoke-on-Trent. Located at Edward Street Hospital, West Bromwich, the psycho-geriatric hospital is worth over £4.7m and is to be built for the West Midlands Regional Health Authority, for completion in November 1988. It comprises a three-storey hospital building of over 60,000 sq ft floor area, together with a mortuary, generator house, swtichroom and gas meter house. The contract to build the new Stockport magistrates court and external works including a car park, is worth over £4.6m and calls for completion in November 1988. Working for CCL (Trent), Shepherd is to build the structural shell and external works for the new Sainsbury's supermarket at Hanley, Stoke-on-Trent. The contract value approaches £1.6m.

Developments at Worcester

Contracts worth more than £5m have been awarded to **TARMAC CONSTRUCTION**. The largest, at about £2m, is for building the shell of a supermarket, filling station and shops at St Peter the Great, about two miles south of Worcester. Work on the project, for Provincial Developments, starts shortly and is scheduled for completion next summer. Other contracts include warehouse extensions at Chepstow, Gwent, for Glass Glover Group (£700,000); factory units at Middlesbrough, for Pilkington Commercial Property (£669,000); refurbishing a store at Chichester, for Woolworth Properties (£432,000); and a fee management contract for fitting-out a factory to form laboratories at Deeside, Clwyd, for Biokits (£345,000). Projects awarded to Tarmac Construction Refurb, the refurbishment specialist company, include modernising a store at Coventry, for Woolworth Properties (£800,000) and extending communal facilities at Aston University, Birmingham (£457,000).

Office block at Reading

Contracts in the south and west worth £12m have been won by **ERNEST IRELAND CONSTRUCTION**, part of the Mowlem group. The largest, valued at £1.89m, is one of two awards from Pearl Assurance and is for the construction of a seven-storey building at Station Rd, Reading, with shops at the ground floor level, storage beneath and five floors of air-conditioned offices above totalling 30,000 sq ft. Of reinforced concrete frame the development will have facing brickwork to the front elevation. Work has started for completion in September 1987. At Crowmarsh, near Wallingford in Oxfordshire, the company has won a £1.7m contract for the Commonwealth Agricultural Bureaux International Centre. The work involves extensive alterations to buildings, which were once part of Carmel College, to form office suites and administrative facilities totalling 40,000 sq ft. For Sainsbury's, Ernest Ireland is undertaking a £1.35m extension to the store and associated car park in Bath for completion by Christmas. In Bristol the company has won further work at the Aztec West business park. The new contract—Aztec West 700—comprises a 20,000 sq ft warehouse with integral office space valued at £841,000 for Spandex UK, importers and exporters of computer equipment.

OVERSEAS

Refurbishing Cleopatra

HIGGS AND HILL CONSTRUCTION (EGYPT) has been awarded a contract by Esso employees services committee, for the fitting out and refurbishment of four floors and mezzanine level of the Cleopatra building at Heliopolis, Cairo. The works involve construction of office accommodation on three of the floors and executive offices and a boardroom on the second floor. The mezzanine will be used for medical facilities, mosque and computer rooms. On the ground floor an entrance and waiting area will be created, together with club, kitchens and recreational facilities. The Spanish Ambassador to Egypt has awarded a contract for the complete internal redecoration of the Ambassador's residence in Zamalek, Cairo.

★

TAYMECH (USA) INC, Dallas, US, building services subsidiary of the Taylor Woodrow Group, has been awarded a contract worth $1.6m (£1.1m) for the installation of the mechanical, plumbing, fire protection and site utilities for the Park Central XII office building in Dallas, Texas. The building, due for completion in late Spring 1987, will be the world headquarters for the Steak & Ale Restaurant Company, a subsidiary of the Pillsbury Company of Minneapolis, Minnesota.

WORLD STOCK MARKETS

AUSTRIA

1986 High	1986 Low	October 10	Price Sch
2,650	2,190	Credit'nat'lt pp	2,285
3,860	3,075	Goesser	3,300
16,000	12,850	Interunfall	13,220
21,750	12,400	Jungbunzlauer	12,850
2,475	1,950	Laenderbank	2,255
795	550	Perlmooser	620
211	150	Steyr Daimler	155
12,500	8,850	Veitscher.Mag	10,000

BELGIUM/LUXEMBOURG

1986 High	1986 Low	October 10	Price Frs.
3,500	2,290	B.B.L.	3,030
16,550	9,800	Banq. Gen. Lux.	16,300
17,000	9,400	Banq. Int.A.Lux.	15,000
14,500	8,250	Bekaert	10,300
4,660	2,640	Ciment CBR	3,835
195	120	Cockerill	138
5,240	1,582	Delhaize	5,150
4,940	3,580	EBES	4,550
17,350	10,425	Electrobel	14,925
2,700	1,900	Fabrique Nat.	1,980
7,800	3,580	GB Inno BM	7,800
4,525	2,695	GBL (Brux)	3,670
6,800	4,310	Generale Bank	5,980
6,850	4,750	Gevaert	6,120
8,150	5,700	Hoboken	7,550
3,995	2,880	Intercom	3,550
18,000	10,100	Kredietbank	16,575
11,650	9,900	Pan Holding	11,000

AUSTRALIA

1986 High	1986 Low	Oct. 10	Price Aust. $
3.80	2.55	ACI Intl	3.71
16.6	10.3	Adelaide Steams	12.6
3.8	2.88	Amcor	3.72
6.3	4.4	ANZ Group	6.44
3.22	2.05	Ampol Pet.	2.30
2.38	1.15	Ashton	2.2
3.55	2.1	Aust. Guarantee	3.25
3.70	2.45	Aust. Nat. Inds	3
10.9	6.9	Bell Group	10.4
5.79	3.70	Bell Res.	4.48
3.75	1.05	Bond Corp Hldgs	2.93
4	2.6	Boral	3.95
3.4	1.9	Bougainville	3.3
7.5	4.5	Brambles Inds	7.3
1.89	0.59	Bridge Oil	0.85
9.1	6.2	BHP	8.56
7.64	5.5	Burns Philip	7.54
7.92	5.48	CRA	7.7
3.78	2.50	CSR	3.22
6.00	2.7	Chase Corp	5.2
1.24	0.63	Claremont Pet	1.06
6.4	4.1	Coles Myer	5.00
2.62	1.80	Comalco "A"	2.6
0.28	0.10	Consolidated Pet	0.26
2.85	1.7	Costain Aust	2.55
5.10	2.0	Elders IXL	4.98
1.82	1.41	Energ Res	1.60
2.85	2.16	Gen. Prop. Trust	2.7
3.85	3.18	Hardie (James)	3.8
2.3	1.55	Hartogen Energy	2.3
7.64	4.85	Herald W'yTimes	7.64
2.8	2.12	ICI Aust.	2.75
10.00	5.80	Industrial Equity	7.5
0.38	0.16	Jimberlana F.P.	0.34

ITALY

NETHERLAND

JAPAN

CANADA

TORONTO
Closing prices October 10

Total Sales 3,331,540 shares

MONTREAL
Closing prices October 10

DENMARK

FRANCE

GERMANY

SPAIN

SINGAPORE

SWITZERLAND

NORWAY

HONG KONG

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices.

Indices

NEW YORK

DOW JONES	Oct. 10	Oct. 9	Oct. 8	Oct. 7	Oct. 6	1986 High	1986 Low	Since Cmp High	Since Cmp Low
●Industrials	1793.17	1796.82	1805.85	1784.45	1784.45	1919.71 (4/9)	1502.29 (22/1)	1917.71 (4/9/86)	12.2 2/7/3
H'me Bnds.	91.21	91.37	91.31	91.45	91.31	91.94 (21/4)	85.75 (14/1)	—	—
Transport.	824.13	826.38	828.13	818.13	822.85	850.84 (31/3)	686.97 (9/1)	858.84 31/3/86	12.32 8/7/32
Utilities	198.18	199.22	198.81	199.27	200.20	219.15 (20/8)	169.47 (22/1)	219.15 20/8/86	10.5 8/4/3

●Day's High 1806.36 (1824.24) Low 1780.93 (1785.85)

STANDARD AND POOR'S	Oct. 10	Oct. 9	Oct. 8	Oct. 7	Oct. 6	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite†	235.48	235.85	236.68	234.41	234.78	255.3 (27/8)	203.49 (22/1)	255.3 27/8/86	4.40 1/6/32
Industrials	260.64	261.00	262.06	259.40	259.75	282.24 (2/7)	224.89 (22/1)	282.24 (2/7/86)	3.62 21/6/32
Financials	27.28	27.40	27.49	27.16	27.13	31.13 (14/3)	25.19 (22/1)	31.13 14/3/86	8.64 1/10/7
N.Y.S.E. COMPOSITE	136.70	136.90	136.29	136.14	135.32	145.75 (4/9)	117.75 (22/1)	145.75 4/9/86	4.464 25/4/2
AMEX. MKT VALUE	264.65	264.04	264.00	262.96	262.18	285.19 (25/6)	240.30 (4/2)	285.19 25/6/86	29.13 9/12/74
NASDAQ OTC COMP.	353.33	353.06	352.90	352.38	352.20	411.16 (3/7)	323.01 (9/1)	411.16 3/7/86	54.87 9/12/74

DIVIDEND YIELDS	Oct. 3	Sep. 26	Sept. 19	Sept. 12	year ago (approx)
Dow Industrial	3.86	3.27	3.68	3.87	4.64
	Sept. 24	Sept. 17	Sept. 10	Sept. 3	
S and P Industrial	3.09	3.16	2.99	2.94	3.88
S and Pind P/E ratio	16.89	16.58	17.70	18.38	12.13

TRADING ACTIVITY

Volume† (Millions)	Oct. 10	Oct. 9	Oct. 8
New York	105.05	163.39	141.70
Amex	8.64	9.42	10.83
O.T.C.	—	95.88	90.04

New York	Oct. 10	Oct. 9	Oct. 8
Issues Traded	1,945	1,957	1,973
Rises	713	779	945
Falls	773	728	571
Unchanged	459	450	457
New Highs	—	28	20
New Lows	—	14	21

CANADA

TORONTO	Oct. 10	Oct. 9	Oct. 8	Oct. 7	Oct. 6	1986 High	1986 Low
Metals & Minerals	2134.62	2148.2	2166.3	2163.3	2174.5	2442.8 (21/3)	1817.4 (8)
Composite	3034.0	3029.1	3041.8	3024.2	3015.3	3129.1 (18/4)	2754.0 (17/2)
MONTREAL Portfolio	1529.48	1527.20	1536.02	1520.9	1517.8	1623.3 (18/4)	1386.6 (22/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Allied Stores	8,599,400	67	+ ¼	E. F. Hutton	1,627,500	47	+1⅜
USX	3,995,900	27¼	− ½	CPC Intl	1,463,400	67¼	+1⅜
Lucky Stores	3,569,100	35⅝	−1½	P. Syc. Ind.	1,023,500	14½	+1½
IBM	2,431,100	123⅝	+1½	Comm. Psyc.	1,020,400	33⅛	−1½
BankAmerica	1,883,400	14⅞	+ ⅛	United Tec.	956,100	41⅞	−1⅛

OVER-THE-COUNTER *Nasdaq national market, closing prices, October 10*

Continued from Page 29

Closing prices, October 10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14¾	AAR s	.44	1.9	17	100	23¼	22¾	22¾	−½
30	21¾	ADT	.92	3.5		236	26⅝	25½	26¼	+⅜
33	11½	AFG s	.09	.3	14	78	29¼	28⅜	29¼	+⅞
25⅜	13¾	AGS			13	39	18½	18¼	18¼	−¼
15	9⅞	AMCA			256	21	10⅜	10⅛	10¼	
60⅝	37⅝	AMR			15	1659	59⅛	58⅝	59⅛	+⅛
27½	23¼	ANR pf 2.67		10.		2	26	26	26	
13⅛	9⅝	APL			6	4	12½	12½	12½	−⅛
16⅝	10	ARX	.71t	6.7	10	78	10⅝	10⅝	10⅝	
41½	26¾	ASA	2a	5.3		650	38⅝	38	38	−⅛
18⅝	9¾	AVX		3.2		54	10	9⅞	9⅞	−⅛
32	23	AZP	2.72	9.5	8	1347	28⅞	28⅝	28¾	
55	26⅝	AbtLb s .84		1.9	20	4818	44¼	43¾	44	−⅜
32	15¾	AccoWd .56		2.1	18	39	26⅞	26⅞	26⅞	+⅛
14⅞	8	AcmeC .40		3.8		61	10⅝	10¼	10⅝	+¼
9¾	6¼	AcmeE .32b		5.1	13	60	6⅜	6¼	6¼	−¼
22⅞	17	AdaEx 1.90e		9.6		74	20⅛	19⅞	19⅞	−¼
33⅜	17⅛	AdmMl .40		1.6	11	51	24⅝	24¼	24¾	+⅜
20⅝	12⅛	AdvSyst .48		11.	12	115	13½	13¼	13½	+⅛
32⅞	12⅞	AMD				4164	14⅝	13⅞	14⅛	+⅜
12⅜	6⅝	Adobe n				65	6½	6⅜	6½	
18⅝	13¾	Adob pf 1.84		12.		8	15⅛	15⅛	15⅛	
20¼	16¼	Adob pf 2.40		13.		24	18	17¾	17⅞	
18⅝	7⅝	Advest .12a		.9	10	112	13⅞	13⅝	13¾	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
		X Y Z								
72¼	45¾	Xerox	3	5.6	16	2250	54⅝	53⅝	53¾	+⅜
58¼	54	Xerox pf5.45		9.6		19	57⅞	56½	57⅞	+¼
28¾	20⅝	XTRA	.64	2.8		26	23	22⅞	23	
17⅝	13½	Yorkln n				761	17¼	17	17⅛	+⅛
39	27	ZaleCp 1.40		4.1		61	34½	34½	34½	
9½	3	Zapata .03j				331	3⅛	3	3	−⅛
43⅞	21¼	Zayre s	.32	1.5	14	2066	21⅞	d21⅛	21¼	−⅜
17	9¾	Zemex	.40	2.9	14	55	13⅞	13⅝	13⅝	+¼
29⅞	16¼	ZenithE				150	20¾	20½	20⅝	−¼
18¼	8	ZenLb s			12	675	8⅞	8½	8¾	−⅛
22⅝	12⅝	Zero s	.29	2.2	13	182	13½	13	13⅜	+⅛
45¾	32¾	Zurnln 1.32		3.5	14	199	37⅞	37	37¾	+1
16⅜	10	Zweig n				789	10⅛	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices October 10

OVER-THE-COUNTER

Nasdaq national market, prices, October 10

Continued on Page 27

FOREIGN EXCHANGES

Sterling and dollar remain out of favour

STERLING ATTRACTED considerable attention last week, as the dollar went through a quiet phase, interspersed with periods of nervousness about the West German Bundesbank's intentions.

The main fear overhanging the market was fear of Bundesbank intervention, although this was somewhat dispelled on Friday, when Mr Claus Koehler, a director of the central bank, said intervention earlier in the week was not aimed at defending a particular level. He added that the joint dollar buying, involving other European central banks, was designed to brake the decline of the US currency, and not reverse a trend

There was no lack of news to influence the pound, but in the end this proved to be mainly inconclusive, leaving financial markets in London nervous and wary.

Attention centred on the UK money supply figures; the Conservative Party Conference at Bournemouth; and the meeting of ministers from the Organisation of Petroleum Exporting Countries in Geneva.

Economic forecasters generally expected a rise of about 3 per cent in sterling M3 money supply in the month to mid-September, and therefore the published figure of up 1½ per cent 1¾ per cent was greeted with some relief. The impact on sterling was muted however. Dealers remained concerned about the impact of the Opec meeting, and wanted to hear some reassuring words from the Tory Party conference, particularly from Mr Nigel Lawson, Chancellor of the Exchequer.

As the market watched nervously the news from Geneva, the Chancellor caused disappointment by deferring any comments about sterling and interest rates until his speech in the City, at the Lord Mayor's banquet, on Thursday.

Although there was disappointment that the week had proved inconclusive, the market was just prepared to give the Government the benefit of the doubt about its economic policies.

Sterling improved on Friday and the upward pressure on London interest rates eased.

Nothing had been settled however. The pound had scraped through without suffering a full blown crisis, and the authorities had succeeded in avoiding an immediate rise in UK bank base rates.

The oil news was not encouraging for sterling, amid reports of high production by Opec, ahead of the agreement to limit output from September, leading to a high level of world oil stocks and fairly low demand.

The money supply figures passed off without too much fuss, but dealers have not forgotten the last UK trade figures, and the record deficit.

Some fairly pointed questions are being asked about economic policy at present and the market will require satisfactory replies from the Chancellor on Thursday.

Although there was little news to influence the dollar, a weak undertone was maintained. Apart from US producer prices for September on Friday there were no other economic figures last week. Higher energy prices resulted in a rise of 0.4 per cent in the producer price index, compared with 0.3 per cent in August. This was towards the top end of most forecasts, and may sound a warning bell about inflationary pressure, but is possible not bad news for the dollar, since an end to the downward spiral in inflation may discourage the Federal Reserve from another cut in its discount rate.

Central bank intervention on Tuesday halted the dollar's decline at DM1.9815, and even after Mr Koehler's comments on Friday the market showed reluctance to provoke the Bundesbank by pushing the rate below DM1.9850.

Further direction may be supplied by this week's US economic data, including retail sales Wednesday, business inventories Thursday, and housing starts Friday.

£ IN NEW YORK

Oct 10	Close	Previous Close
£ Spot	1.4335-1.4345	1.4230-1.4240
1 month	0.55-0.53 pm	0.58-0.56 pm
3 months	1.70-1.68 pm	1.80-1.77 pm
12 months	6.05-5.95 pm	6.50-6.40 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 10	Previous
8.30 am	67.7	67.3
9.00 am	67.7	67.5
10.00 am	67.7	67.5
11.00 am	67.7	67.6
Noon	67.7	67.8
1.00 pm	67.7	67.6
2.00 pm	67.5	67.2
3.00 pm	67.4	67.3
4.00 pm	67.6	67.5

CURRENCY MOVEMENTS

October 10	Bank of England Index	Morgan Guaranty Changes %
Sterling	67.6	−25.8
U.S. Dollar	109.2	+1.4
Canadian Dollar	76.8	−13.0
Austrian Schilling	133.5	+9.0
Belgian Franc	97.4	−5.5
Danish Krone	90.1	+2.3
Deutsche Mark	142.3	+19.6
Swiss Franc	169.7	+23.2
Guilder	130.8	+13.0
French Franc	70.6	−12.7
Lira	48.1	−15.5
Yen	215.2	+60.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1976=100).

CURRENCY RATES

Oct. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.84942	0.732378
U.S. Dollar	6	1.2132	1.04730
Canadian $	8.50	*	1.45135
Austrian Sch.	4	N/A	14.6402
Belgian Franc	8	"	43.2012
Danish Kroner	7	"	7.84690
Deutsche Mark	3½	2.4308	2.08151
Neth. Guilder	4½	N/A	2.35192
French Franc.	9½	"	6.81793
Italian Lira	12	"	1441.09
Japanese Yen	3½	"	161.599
Norway Krone	8	"	7.65053
Spanish Peseta	—	"	137.930
Swedish Krona	8	"	7.15830
Swiss Franc.	4	"	1.69527
Greek Drach.	20½	"	140.893
Irish Punt	—	"	0.766131

* C$/SDR rate for Oct. 9; 1.68566

OTHER CURRENCIES

Oct. 10	£	$
Argentina	1.5350-1.5410	1.0750-1.0785
Australia	2.2365-2.2405	1.5650-1.5670
Brazil	19.66-19.78	13.77-13.84
Finland	6.9480-6.9605	4.8610-4.8640
Greece	190.62-193.67	133.67-135.72
Hong Kong	11.1405-11.1540	7.7995-7.8015
Iran	109.25*	76.00*
Kuwait	0.4185-0.4190	0.29280-0.29300
Luxembourg	59.10-59.20	41.20-41.30
Malaysia	3.7490-3.7585	2.6235-2.6255
N. Zealand	2.7880-2.8880	1.9510-1.9570
Saudi Ar.	5.3585-5.3625	3.7495-3.7500
Singapore	3.1050-3.1115	2.1725-2.1745
S. Af. (Cm)	3.1605-3.1980	2.2225-2.2345
S. Af. (Fn)	6.4945-6.8040	4.5455-4.7620
U.A.E.	5.2480-5.2530	3.6725-3.6735

* Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4335	1.4280	1.4165	1.4003	1.3728
D-mark	2.8475	2.8332	2.8044	2.7647	2.6901
French Fr.	9.3300	9.3161	9.2899	9.2278	9.1303
Swiss Fr.	2.3200	2.3063	2.2817	2.2463	2.1791
Yen	221.50	220.42	218.37	215.48	209.71

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgium Franc	43.1139	43.2012	+0.20	+0.96	±1.5368
Danish Krone	7.81701	7.84690	+0.38	+1.14	±1.6403
German D-Mark	2.11083	2.08151	−1.39	−0.63	±1.1127
French Franc	6.87316	6.81793	−0.80	−0.04	±1.3659
Dutch Guilder	2.37833	2.35192	−1.11	−0.35	±1.5059
Irish Punt	0.764976	0.766131	+0.15	+0.91	±1.6683
Italian Lira	1476.95	1441.09	−2.43	−1.98	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Oct 10	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.434	2.848	221.5	9.330	2.320	3.215	1965	1.988	59.15
$	0.698	1	1.987	154.4	6.508	1.618	2.244	1371	1.386	41.25
DM	0.351	0.503	1	77.79	3.277	0.815	1.129	690.1	0.698	20.77
YEN	4.515	6.472	12.86	1000	42.12	10.47	14.51	8871	8.973	267.0
F Fr.	1.072	1.536	3.052	237.4	10	2.487	3.446	2106	2.130	63.40
S Fr.	0.431	0.618	1.227	95.47	4.022	1	1.386	847.0	0.857	25.50
H Fl.	0.311	0.446	0.886	68.90	2.902	0.722	1	611.2	0.618	18.40
Lira	0.509	0.730	1.449	112.7	4.748	1.181	1.636	1000	1.011	30.10
C $	0.503	0.721	1.433	111.4	4.694	1.167	1.618	988.7	1	29.76
B Fr.	1.691	2.423	4.814	374.5	15.77	3.922	5.435	3322	3.360	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Oct. 10	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4215-1.4345	1.4335-1.4345	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 59.65-59.75. Six-month forward dollar 3.35-3.30c pm. 12-month 6.15-6.00c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.6150-1.6345	1.6175-1.6185	0.35-0.30c pm	2.39	0.78-0.73 pm	1.85

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.60-41.70.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	13.18	13.18	13.18	13.18	0.01	0.09	0.31	0.97
1.35	8.18	8.18	8.18	8.18	0.15	0.52	1.08	2.22
1.40	3.54	3.84	4.16	4.56	1.02	1.84	2.75	4.31
1.45	1.06	1.53	1.97	2.53	3.54	4.53	5.56	7.28
1.50	0.19	0.46	0.78	1.27	7.67	8.46	9.37	11.02
1.55	0.02	0.10	—	0.58	12.50	13.10	—	15.33
1.60	—	0.02	—	0.24	17.48	18.02	—	19.99

Estimated volume total, Calls 9 Puts 0
Previous day's open int: Calls [illegible] Puts [illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.35	—	—	19.80	18.50	—	—	1.50	2.20
1.40	3.00	3.65	4.00	4.95	0.15	1.30	2.20	4.55
1.45	0.15	1.20	1.75	2.75	2.35	3.95	5.05	7.55
1.50	0.05	0.30	0.70	1.45	7.35	8.15	8.90	11.25
1.55	0.05	0.15	0.25	0.75	12.35	13.00	13.50	15.55
1.60	—	—	0.15	0.30	—	—	18.35	20.10
1.65	—	—	0.70	1.50	—	—	18.70	20.20

Previous day's open int: Calls 2,620, Puts 1,931
Volume: 35

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

[illegible]

LONDON

20-YEAR 12% NATIONAL GILT; 20-YEAR 12% NATIONAL SHORT GILT; IMM—STERLING; LIFFE—STERLING; CERT. DEPOSIT (IMM); U.S. TREASURY BILLS (IMM)

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; THREE-MONTH EURODOLLAR (IMM); THREE-MONTHS STERLING; FT-SE 100 INDEX; THREE-MONTH EURODOLLAR; U.S. TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4335	1.4280	1.4165	1.4003	1.3728

MONEY MARKETS

Continued agitation over higher rates

PRESSURE EASED on interest rates on the London money market on Friday, but doubt and confusion was evident throughout the week. On Monday the authorities sold the £800m of gilt taplets announced the previous Friday, and as dealers had come to suspect the UK money supply figures on Tuesday were better than the general level of forecasts.

The taplets had encouraged hopes that forecasts in the region of 3 per cent for the monthly rise in sterling M3 were too high. By the time the rise of 1½ to 1¾ per cent was announced it was not a great surprise, although a relief would not normally have been regarded as a good figure.

UK clearing bank base lending rate 10 per cent since May 22

It helped end any immediate pressure in the market for a rise in bank base rates, but did not stop speculation that an increase remained likely in the near future.

The market became very nervous ahead of the speech by Mr Nigel Lawson, the Chancellor, on Thursday. Some discount houses were keen to sell bills to the Bank of England at a rate ⅛ per cent above the established intervention levels, and the authorities were prepared to accept, providing bills were also sold at the established levels.

Although dealers were disappointed that Mr Lawson decided to delay a statement on sterling and interest rates until his speech at the Mansion House this Thursday, the money market was calmer on Friday, with all bills sold to the Bank of England at prevailing intervention rates.

Under the surface however there was continued evidence of agitation. For the second week running the discount houses bid for Treasury bills at rates unacceptable to the authorities, because to accept would have signalled a general rise in interest rates. No bills wer allotted at Friday's tender.

The authorities are likely to continue to resist higher rates, but against a background of considerable nervousness not everyone in the City would be prepared to bet that base rates will still be 10 per cent when the Chancellor speaks on Thursday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 10) 3 months U.S. dollars		6 months U.S. dollars	
bid 5¼	Offer 5⅜	bid 5¼	Offer 5⅜

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Oct. 10	Oct. 3		Oct. 10	Oct. 3
Bills on offer	£100m	£100m	Top accepted rate of discount	—	—
Total of applications	—	—	Average rate of discount	—	—
Total allocated	—	—	Average yield	—	—
Minimum accepted bid	—	—	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	—	—			

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 p.m.)

		Treasury Bills and Bonds			
Prime rate	7½	One month	4.87	Three year	6.41
Broker loan rate	6¾	Two month	4.99	Four year	6.66
Fed. funds	5¾	Three month	5.20	Five year	6.76
Fed. funds at intervention	—	Six month	5.33	Seven year	7.15
		One year	5.57	10 year	7.36
		Two year	6.15	30 year	7.67

Oct. 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

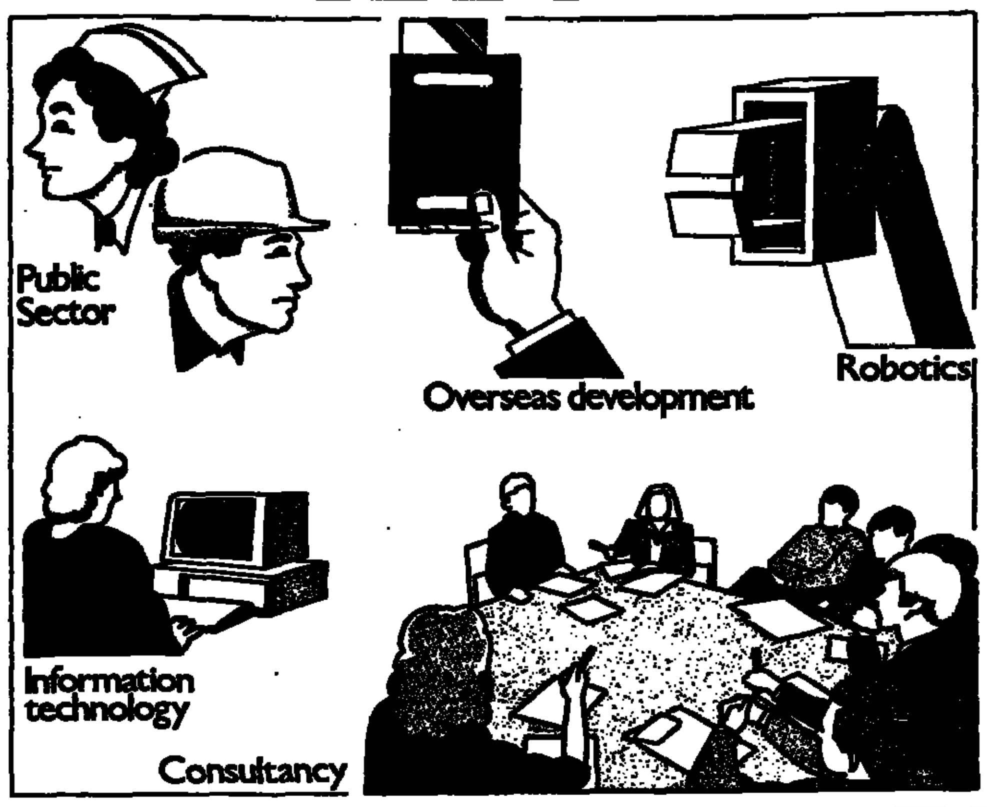
LONDON MONEY RATES

[illegible]

SECTION III

FINANCIAL TIMES SURVEY

Management Consultancy



The harsh economic climate early this decade has, paradoxically, led to a revival in the fortunes of management consultants as the corporate sector has sought help in raising efficiency

The quest is on for value for money

By HAZEL DUFFY

IF THERE could have been only one sector which prospered in the difficult years of the 1980s, it would have had to be management consultancy. With hindsight, it can be seen that all the ingredients for success were present for those consultants who are well managed (surprisingly, not always the case), reasonably aggressive, and able to offer the client consistently good service.

After the boom years of the late 1960s, when management consultancy might be said to have been discovered (although the origins of the profession go back very much further), the atmosphere began to change. Consultants, perhaps more intent on theoretical than practical solutions, cast a cloud over the practice, which rather went out of fashion.

But the harsh economic climate in the early 1980s, culminating in international economic recession and causing companies to pare down their staff in all but the most essential areas, led paradoxically to a revival in the fortunes of management consultants. They were being increasingly called in to provide advice that was no longer available in-house.

This trend of the 1980s is consistent with the growing tendency for the corporate sector to place their intermittent need for business services outside their own establishments, whether it be management of their vehicle fleets, executive recruitment or public relations consultants. In the case of management consultants, however, the advice they can give is, frequently, critical to the company's future.

Allied to this trend in services has been the explosive growth in the application of computer systems, information technology and telecommunications, on which companies need expert advice regarding the choice of system, its implementation and consequent reorganisation of human resources. It was a need quickly spotted by the more agile consultants a few years back, and it continues to be the most dynamic growth area. PA Technology, for instance, is enjoying annual growth of 30 per cent.

Still working in the consultants' favour is the emphasis on value for money in the public sector — the buzz word in government circles since 1979. Like manufacturing, the public sector has been under growing pressure from the Government to improve performance with smaller, or at best static budgets.

Central Government and the nationalised industries have long been users of consultants, but in the late 1970s they were joined by local authorities and more recently by the National Health Service in programmes designed to boost efficiency. The increasingly management-orientated style of the civil service is likely to keep the public sector lively for consultants, although some slowdown in growth around an election is probable.

Manufacturing technology is another growth area—computer aided design and manufacturing, robotics, small batch systems—fostered by industry's need to streamline its manufacturing, and to identify and design products which it can bring quickly to the market.

The increasing concentration of manufacturing on an international basis is expected to intensify the demand for such aids. It is an area where the major consultants face considerable competition from specialist consultancy practices like Ingersoll.

While the more hard-pressed sectors of the economy call on consultants, the expanding services sector provides an equally challenging market. The changing face of retailing is one example, while banking, and financial services before the Big Bang, have found substantial need for technical consultancy and improved managerial systems consequent on the rapid change in their businesses.

Fee income of the member firms of the Management Consultancies Assocation (covering about 60 per cent of the industry — there are some notable non-members including PA, Arthur D. Little and other major American-owned firms) doubled in the UK between 1983 and 1985 to total £142m. Mr Brian O'Rorke, executive director, predicts continuing growth but less rapid than recently.

One reason for his prediction: "Firms are finding it increasingly difficult to get people of the right calibre," he says.

Mr Neil Kilpatrick, chief executive PA, still the market leader, in spite of the onslaughts of the consultancy arms of the accountants, says: "Growth in the market makes this an exciting business but some of the problems in coping with that growth are apparent. The clients want specialism. We have to provide in-depth expertise, which has quite substantial implications on how you staff and manage the business."

PA, which with Inbucon and P-E, are the largest independents, face tough competition from the consultants who are part of the big accountancy firms, as well as from the smaller specialist consultants in this fragmented industry. The larger software houses also compete in the key IT areas.

Mr David Miller, managing director Coopers & Lybrand consultants, which has expanded most vigorously among the accountants, (revenue this year will exceed £40m) explains his strategy: "We decided a few years back to offer our services increasingly on a sector basis, like retailing, transport, etc. This means that we try to recruit people who are both sector specialists and have a special skill." Nine of Coopers' 49 directors have been recruited from senior positions outside.

Trying to ensure consistent high standards of professional competence—in addition to the reputation of the firm—is the Institute of Management Consultants. Membership is personal, irrespective of the firm, and there are moves to scrutinise and admit as affiliates the many consultants who practice on a part time basis—university lecturers, for example. Neverthe less, so far this year, 15 per cent of candidates applying for membership have been refused.

Personnel is the major selling point of consultants, along with the ability to deliver the clients' required scale of benefits and effect change speedily and effectively, all of which requires considerable skills. The consultancy business is already highly competitive—most jobs are won on competitive tender—and the ability to offer these skills will be paramount in deciding the successes.

In the past three years, there have been considerable changes in the sector: most obviously, the growth of the accountants' consultants, which has sprung from the desire of the accountancy firms to find an activity outside the slow growth traditional auditing and accounting. Audit clients provided much of the business at the outset, but today consultants win business on their own reputations.

Price Waterhouse is catching up on Cooper's lead, followed by Peat Marwick—whose consultancy wing has taken off after a slow start and could receive an added impetus if the parent company merges with Kleinveld Main Goerdeler, as proposed, to form the largest accountancy firm in the world.

Arthur Andersen, Deloitte Haskins and Sells, Arthur Young, and Touche Ross complete the top accountancy roll call with others like Ernst and Whinney and Stoy Hayward making their mark. Also during this period, P-E went public, and Price Waterhouse took over the old-established Urwick, Orr. Considerable interest will be focused on the recent departure of Mr Gordon Edge from PA Technology, which he built up.

But the biggest question mark over the future of the sector is posed by Saatchi and Saatchi's takeover of Hay MSL two years ago, which was the spearhead of a bid to get big in management consultancy. Restructuring of the Hay Group worldwide is under way, with recruitment advertising and executive search business (Hay's traditional strength) being separated from the management consultancy.

A new chairman and chief executive, Mr Claudio Belli, has been brought in to head and strengthen the consulting company. Saatchi's plans could well find appeal with other big groups in services which have not so far included management consultants.

MCA Trends 1981-85

(£000s)					
Fee income	1981	1982	1983	1984	1985
British Isles	45,036	57,512	70,707	98,139	142,232
Overseas	19,171	22,090	24,096	24,178	26,280
Total	64,207	79,602	94,803	122,317	168,512
United Kingdom					
Private sector	38,036	45,422	52,503	71,479	107,683
Public sector	6,951	12,092	18,204	26,660	34,549
Consultants	1,720	1,871	2,581	2,902	3,383

Source: MCA.

Marketing Services 2
Accountancy-based consultancies 2
Overseas 3
In the Regions 3
The Big Bang 4
Public Sector 4
Information Technology 6
Manufacturing and Robotics 6
Recruitment and Training 8
Business Planning 8
Independents 9
Temporary Executives 9
US Trends 10
Guide for Users 10

Management Consultancy 2

Marketing Services

Sharpening the image of corporate identity

CONSULTANCY services to companies have ranged increasingly in recent years away from a strict interpretation of management consultancy to cover a broad variety of marketing services, such as public relations, advertising, design and market research.

All these marketing service operations have sought to show that an important element in consultancy work is the image a company or organisation presents to its various audiences—either internally or externally—and how to get most effectively the true message across.

By understanding the needs of the business, marketing services consultancy can help companies understand more fully their corporate objectives and communications goals.

The drawback to this increasingly important function, however, is that the demand has grown too fast for the quality of marketing consultancy work to keep up. Many practitioners in these areas lack the strict disciplines of a traditional management consultancy—with the consequence that many users are beginning to query the validity of the marketing service approach.

The fastest-growing marketing consultancy sector of the 1980s has, without doubt, been the public relations consultancy business. The fact that PR companies call themselves consultancies — as opposed to agencies — clearly reflects that they do see themselves very much as earning their fees through their intellectual knowledge rather than simply acting as an agent (as happens with advertising agencies).

Unfortunately, too many PR companies have realised that it is as easy — or easier — to make money from acting as an agent as well as a consultant. Hence the desire from some consultancies to push in the direction of their clients expensive services such as exhibitions and brochures, for which they can charge cost-price plus an agency fee of between 15 and 20 per cent.

This is the reason why some PR "consultancies" reveal a relatively low fee income from their consultancy work but still manage a healthy profit from charging their agents' commission on providing services.

Public relations in the UK, however, has still grown from strength to strength in the 1980s as it has — in the main — provided a more cost effective and efficient means of communicating messages.

Figures from the Public Relations Consultants Association, the main trade body, show that its 113 members reported a 22 per cent increase in fee income last year to top £50m for the first time. Other sources suggest that the total fee income for all consultancies, including the hundreds of smaller consultancies, may have reached £100m.

The key factor behind this growth in the early 1980s was the recession, which saw many companies cut back on their above-the-line advertising expenditure in favour of much cheaper below-the-line promotion from PR and other services.

At the same time, moreover, new areas requiring communication skills were opening up. The growth in technology-orientated companies, for example, was a new source of business for consultancies to use traditional PR techniques to explain the complexities of high-tech to a lay audience.

The booming stock market after the recession—allied to the spate of new issues and takeover activity—gave a fresh impetus to financial and corporate public relations. The Big Bang this month will further increase demand for those specialist consultancies who have the contacts in the City.

Another factor boosting consultancy growth has been the emergence of new media opportunities—such as breakfast television and new newspapers—and the move by consultancies to adopt a more sophisticated approach to meeting specific target groups within the media.

As a result of this upsurge in demand there has, not surprisingly, been a restructuring of the sector over the past year. A number of leading consultancies have sought either a full market or Unlisted Securities Market listing—with mixed results—as well as using their quotation to help finance acquisitions of other small to medium-sized consultancies.

Large advertising agencies have also sought to establish themselves in the PR sector through acquisition. Saatchi & Saatchi, for example, has bought Kingsway and Granard; Wight Collins Rutherford and Scott acquired Biss Lancaster; and Lowe Howard Spinks recently took over the troubled Good Relations Group.

Although there are disturbing signs that standards in PR are actually slipping—a result of too much demand with too few able practitioners—some PR consultancies are trying to take a more disciplined approach.

Reginald Watts Associates, for example, carries out detailed communications audits for companies—costing up to £25,000—which seek to analyse the communication needs of a company or organisation. Mr Reginald Watts, former chairman of Burson-Marsteller in the UK and who now runs his own consultancy, is worried that many consultancies are adopting such audits without fully understanding that they require a disciplined approach.

"Many consultants talk to a handful of press people, telephone an analyst or two and then interview the client's board of directors, culling the best quotes before calling the whole thing a communications audit," he suggests.

"We have developed a series of clear methodologies and disciplines that give clients all they need to gain competitive advantage in the market," he adds.

Apart from the growth experienced by PR consultancies in the 1980s, other sectors—notably design consultancies—have also benefited from a greater awareness of marketing consultancy services.

Design has developed in the 1980s as something of a cottage industry on the fringes of business awareness to spawn a number of major design consultancies able to deal on an international basis with even the largest of clients. A growing awareness of the need for an effective corporate identity has encouraged companies and organisations to use specialist design consultants to create the right image on everything from stationery to shop fronts.

The designer, to achieve the right effect, has to delve deep into the corporate culture to ensure that the right message is getting across.

Direct marketing consultancies are another fast-growing sub-sector of the marketing services industry. Direct marketing is increasingly seen as a highly effective means of reaching specialist target groups, especially in business-to-business marketing and in the booming financial services sector.

But further growth in all areas of marketing services operated by specialist consultancies will clearly depend on a corresponding raising of standards and a more disciplined approach.

David Churchill

Accountancy-based consultancies

Diversification sets the trend

TO USE the term "accountancy-based consultancy" to the partner in charge of some such practices is to provoke a violent reaction.

"We do not use such language," said Mr David Morris, head of the Management Consultancy practice at Peat Marwick Mitchell. "We are totally involved in management consultancy — our practice was established in 1957 as a separate entity, and it operates entirely in its own right."

Other practices, however, take a rather more relaxed view, confident perhaps that with accountancy-based consultancies showing even more rapid growth than most independent firms, they are not really required to prove themselves. Coopers and Lybrand and Touche Ross both claim growth rates of approximately 50 per cent for their management consultancy practice in recent years; while Arthur Andersen's 8,000 personnel working in management consultancy worldwide matches the 8,000 the firm employs on the accountancy side. These practices can certainly not be considered the Johnny-come-latelies of the management consultancy world.

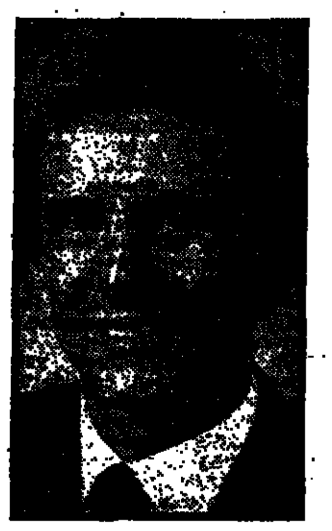
There are a number of obvious benefits resulting from the link with accountancy practices. One is the possibility of sharing clients: management consultants may derive anything from 7 per cent up to 50 per cent of their business from clients of the accountancy practice with which they are linked.

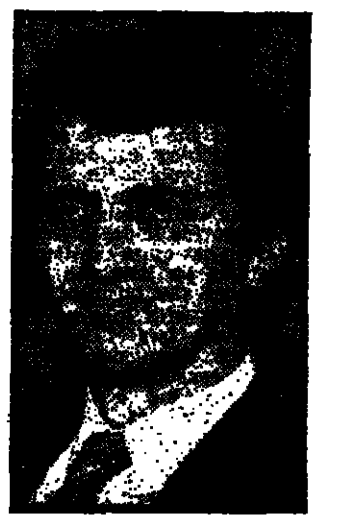
Gareth Stainer of Deloitte Haskins and Sells points out that this provides a certain amount of protection from the cyclical nature of management consultancy — the audit practice provides a solid underlying base.

However, the link between accountant and management consultant is under threat from a proposal from the Department of Trade and Industry that the two services should not be provided for a client by the same firm. Predictably enough, the suggestion has been greeted with something of a raspberry by the profession, and is considered most unlikely, in fact, to go through.

For one thing, such a move would contradict totally the changes now taking place in the City; but in addition, there seems very little real need for the change, as Mr Brian Pomeroy of Touche Ross points out: "In theory you could construct situations where there might be a conflict of interest: but in practice they never seem to arise."

Arthur Andersen is one firm where, even if the DTI proposals were to go through, they would not have a very severe effect: only 7 per cent of the consultancy's clients come from the audit side. However, the practice sees other advantages in being part of an international organisation of a size which few independent consultancies can match.





David Andrews, responsible for advanced IT at Arthur Andersen: important to have an international outlook in the financial world. Right, Mr Brian Pomeroy of Touche Ross: in practice conflict of interest doesn't arise

As Mr David Andrews, the partner responsible for advanced Information Technology points out: "It is particularly important to have an international perspective in the financial world — banking is truly international today. We have offices in London, New York, Tokyo — just where they are needed. Our internationalism also enables us to centralise our research and development, and our training programme, which centres on Chicago and Geneva. This is important, since to stay in front of the IT business you have to invest a lot in training."

Mr Morris at Peats adds that it is useful for the accountant to be able to bring a wider involvement to his client. He also points to instances where services may draw on both skills: for example, when doing feasibility studies it is useful to involve people skilled in accountancy as well as others practised in market information techniques.

The progression from accountancy to management consultancy occurred fairly naturally in the 1960s and 1970s as a result of such projects: the consultants began by doing accounting-related work and gradually diversified away from it.

Today, however, diversification is proving to be the key, as Mr Bob Simm, partner in charge of Human Resources at Peats, explains: "Organisations are becoming more sophisticated in their use of management consultants. Increasingly they will decide to buy in expertise as and when needed, to avoid high payroll costs; with the result that the consultancies develop as centres of excellence."

Human Resources is actually one of the key services that Peats can provide as a "centre of excellence." Over the past 18 months, this department has grown from five consultants to about 35.

The team focuses on five broad areas: human resources strategy; organisational work (particularly important for management buy-out companies, and others in similar situations); remuneration; executive selection and search; and personnel management, development and training.

Deloittes, meanwhile, has one of the largest computer security divisions in the UK, and has just launched a new security software package for micros. The firm is also closely involved in developing Expert Systems: besides seminars and a new booklet on the subject, it is developing for its own use on "ITG Advisor" an Expert System which will help its Information Technology Group to carry out reviews of the Data Processing Function in large organisations.

This system is described as being designed to help the user through a process rather than coming up with unequivocal answers—along the lines of the U.S. Expert Support Systems.

Deloittes considers that quite apart from its computer security work, nearly half of its management consultancy business is strongly computer-related. However, there are also interesting developments in other sectors: for example last year the firm arranged a tie-up with a leading specialist in construction project management, Martin Barnes & Partners.

The construction market is the second largest industry sector in the UK economy, and one where projects are becoming increasingly complex—hence the requirement to develop a "centre of excellence."

Touche Ross has become something of a specialist in privatisation, and considers itself the leading advisory firm here, having advised the Government on privatising British Gas, Thames Water Authority, the Royal Naval Dockyards and the British Airports Authority.

Arthur Andersen is perhaps the firm whose work reflects most clearly the strong emphasis on IT within management consultancy: as much as 80 per cent of the practice's business is in this area.

Mr David Andrews, partner responsible for advanced IT, points out that business is becoming increasingly driven by engineering in its broadest sense: successful new initiatives in fast food chains, construction and manufacturing have all been founded on sound engineering extending right the way through from nuts and bolts to advanced information technology.

In this connection Arthur Andersen is setting up a new laboratory (see page 9) in Chiswick, named ATOL (Automation, Technical and Operations Laboratory) designed to enable new, cheaper computing power to be put to practical use in the business environment: it covers robotics, hand-held computers, voice recognition, and many other computer-aided processes.

The consultancy also recently joined up with Rossmore Warwick Limited, a leading exponent of Just-In-Time manufacturing and of advanced manufacturing technology equipment integration.

In the light of all these moves into different areas of operation, right across the board, perhaps the consultancies' reluctance to be thought of predominantly in terms of their connection with accountancy firms is a little understandable.

Catherine Hastings

Unsung invisible exports

Consultancy work carried out by British firms overseas goes much further than management advice, embracing architecture, planning and design, engineering, health care and even golf courses.

CONSULTANCY overseas, not just in management but in a wide range of other disciplines, is one of Britain's major unsung invisible exports. Last year, it earned £1,200m. Signficantly, that figure is much the same as the amount distributed in overseas aid.

Although the bulk of consultancy earnings derives from the efforts of the individual consultancies, the focal point for British consultancy abroad, and respected as such at government level, is the British Consultants Bureau, set up 21 years ago.

"Within our membership," says Major General Ian Harrison, the Bureau's director, "there is hardly any field of expertise that is not represented and which prospective clients cannot call upon."

The Bureau is a non-profit-making private association financed wholly by its 300 member firms, which range from the largest international consultancy companies to the smallest groups of associates with perhaps only a couple of partners.

It offers services chiefly in engineering, architecture and planning, surveying, and management and economics, particularly to developing and underdeveloped countries. It can offer, too, many other specialist consultancies, from agricultural management to security consultancy, from fire safety to quarrying, in health care, golf course planning, furniture, banking and much else.

Most of these consultancies are, of course, in the private sector. They have achieved their successes overseas, says Mr Michael Lewis, a director of Ove Arup and Partners and the BCB's chairman, by virtue of their integrity and independence, with no allegiance or commitment to contractors, industry or manufacturers.

The other side of the coin, of course, is that while these consultancy services can thus pave the way for British business and manufacture, orders do not necessarily follow. For British goods and services are not specifically recommended, while competitive countries are not always so scrupulous.

But as the figures show, the approach pays off in the end. "Orders for British goods do often follow," Mr Lewis said, "because the specifications and parts will fit—though of course they must still be up to standard and the right price."

The BCB operates at various levels, General Harrison explains. One of its major tasks is to ensure that ministers and government officials concerned with trade are aware of the needs and problems of consultancies and there is regular liaison over such matters as funding, taxation, EEC regulations and the like. A member of the Projects Export Policy section of the Department of Trade and Industry sits on the BCB's Council.

The Bureau also has vital links with aid and development agencies such as the World Bank. Again, it is a two-way street, the Bureau ensuring that these international bodies have British consultancy services in the forefront of their thinking, while itself keeping itself abreast of new trends and ideas on a world scale.

Another important aspect is to keep British embassies and other diplomatic missions, and their respective ambassadors, high commissioners and commercial official aware, informed and up to date, both with its literature and by means of individual briefings. Many foreign visitors concerned with national development come to the Bureau's London offices, while the Bureau itself regularly sends missions abroad.

The BCB's voluminous directory has a key role here. While it does not diminish the Bureau's readiness to help clients get in touch with the consulting firms that are most suitable for particular projects, it does set out in detail the qualifications and experience of each member consultancy.

In addition, the Bureau can provide, from its computerised data bank, names, details and profiles of firms which are best suited to inquirers' needs.

"Almost all projects these days are multi-disciplinary," General Harrison says. "So we usually have to give an inquirer the details of several consultancies. We list them alphabetically and at the same time inform the firms concerned.

"Then it is up to the parties themselves. We are not involved in contracts or legalities at all. Often, though, consultancies come back to us for further advice or for help on aspects they had not initially considered."

Major General Ian Harrison, director of the British Consultants Bureau. *Trevor Humphries*

Although the bulk of consultancy is in the private sector, the Bureau's nationalised industries' overseas group has an important role. Its members include many, though not all, of Britain's basic industries and services, in such fields as energy, heavy industry, communications, and transport, as well as bodies like the Crown Agents, the Natural Environment Research Council and Remploy.

The group's broad aim is to raise British exports not only through direct exports but also by collaboration among themselves with particular reference to overseas consultancy and project management, turnkey operations and affording scope in the context of its direct exports for standardisation of plant orders placed with British manufacturers.

The value and potential of such collaboration is great. A new steelworks, for example, may require coking coal, railways and other transport, and energy infrastructure.

Mr Lewis points to another valuable contribution made by British consultancy overseas, in helping to overcome the problems of famine-stricken regions. Consultants who know these areas have long been aware, he says, of the difficulties of providing support, both immediate and long term.

Improved communications could assist the development of agricultural programmes, making it possible to grow and distribute food without resorting to the emergency operations of the past year or so.

"We can achieve such improvements by introducing aid into projects using appropriate, primarily labour-based methods, to upgrade the infrastructure and rural development of desert countries," Mr Lewis says.

"British consultants have long been in the forefront of these activities. They continue to offer a range of design and management capabilities from low technology labour-based solutions to the use of the most advanced developments in computing and electronic engineering applied to infrastructure and housing development."

Illustrating the diversity of British consultancy overseas, there is the BCB's tourism, leisure, sport and recreation group. Among the many projects in which BCB members have been to the fore have been a polo field and grandstand in Brunei, sports centres in France and Saudi Arabia, a national theatre in Qatar, and hotels, apartment complexes, ski resorts, leisure centres, holiday villages, theme parks, botanical gardens and zoos.

It is an unfortunate fact, as many consultants attest, that in the past they have lost out because of the slowness of successive governments to respond to their needs and provide the kind of support that their counterparts in France, West Germany and Japan, for instance, have long been able to build upon.

The French have been cannier by arranging co-financed projects in collaboration with aid agencies, thus gearing their aid to improving their own productivity. But there are now signs that the change in attitude which is so essential is occurring in Whitehall.

"After all," Mr Lewis says, "Britain gives in aid much the same amount that British consultancies earn abroad.

"If you can take that aid budget and provide it in the form from which British consultancy, construction, and so on can benefit as well, it obviously makes better sense than handing it out on a plate."

David Loshak

In the Regions

Unique selling points exploited

REGIONALLY-BASED management consultancies are still relatively few in Britain but they all seem to be finding that they can exploit unique selling points over bigger, London-based rivals.

Most are set up by people who are already senior consultants with top management experience and with extensive contacts at chief executive level. What they all try to offer is a higher quality of service at lower prices. Their very nature gives them a strong chance of being able to do so.

The reason why is that the consultants who set up such firms usually work directly with clients themselves, rather than administer the consultancy and manage juniors, as they probably would in a larger, national firm.

As Mr Peter Shepherd, co-founder of the six-year-old Sheffield-based Consultancy Operations and Personnel Development (OPD), puts it: "Big companies employ us because they get personal attention from the partners. When we are pitching for new business, and the potential client asks when he is going to meet the consultant who will actually be carrying out the assignment, it makes a critical difference to be able to say you will be doing the job yourself."

Mr Bill Hopkins, who founded the rapidly-expanding March Consulting Group in Manchester with his boss Mr Peter Houghton, former director of P.A. for North, echoes this. "A key to success is making sure that everyone does some proper work and contributes directly to revenue," he says.

The lesson was learned some time ago by what is probably the oldest of the present generation of regionally-based firms, Collinson Grant, which operates from a large detached house set in its own grounds in Swinton, Greater Manchester. "Everyone possible in this organisation is a 'direct' worker earning fees from clients," Mr Len Collinson says.

What few indirect staff he has—secretaries and the like—work for everyone and have been given status in the organisation through the right to veto any work they are given to type which does not make sense to them. Even Mr Collinson has had work thrown back at him. He believes the practice ensures better communication in jargonless English.

When Mr Collinson started in 1970, he left a secure career that had seen him rise to become director of manpower for Plessey Telecommunications. He wanted to work for himself, and set up with the late Mr James Grant, a senior consultant with Inbucon, who had tired of supervising junior consultants with no senior management experience on big jobs.

Mr Shepherd of OPD used to head operations for the US-owned consultancy H. B. Maynard. Two other senior men from there joined him. The fourth partner had worked for Peat Marwick Mitchell and had left that firm to run Armitage Norton's management consultancy.

In March's case, Mr Houghton was gradually joined by other P.A. people over a few months. The firm's name, incidentally, was chosen because he established the business in the month of March, in 1983.

All the principals in these firms appear to have returned with great relish to acting personally as consultants, rather than managing others.

Moreover, Mr Hopkins believes that another disadvantage of big-consultancy life for senior people is that they have to spend most of their non-administrative time selling consultancy, rather than doing or even supervising it.

With big company fees running at up to £4,500 a week this becomes inevitable. All three examples of regional firms here are more likely to charge in the £300-£350 a day range, with a top rate for casual jobs of possibly £400.

Mr Shepherd says: "This is half the rate of our big competitors. We do it by keeping our overheads tight. OPD uses a network of freelances and we also score by working in two- or three-day packages, rather than weeks, and charging accordingly.

"Often, a consultant cannot do a full week's work because the client is not ready. We only ask for payment when the consultant is actually performing."

Mr Collinson has 33 consultants on the staff and the firm will turn over about £3m this year. He has been approached about mergers but cannot see the point of expansion if it means that overheads will increase and profitability fall. He is reticent about what the business makes but admits to a target margin of 20 per cent.

The profits have gone into diversification: Collinson Grant has gone in for direct corporate venturing with an electronics client and, through a subsidiary called Sapling Enterprise, manages the North West Investment Fund, a source of regional venture capital for small companies.

March Consulting Group is also in the funding business, having set up the March Investment Fund with the British Gas Pension Fund. It backs larger companies and put up £1.07m for the management buyout of Bulldog Tools from Dobson Park.

This sort of activity leads to new clients being found as well as increasing a consultancy's utilisation rate. Collinson Grant, for example, hires out spare consultants to Sapling for investment evaluations on a cut-rate basis, which also keeps down the fund's overheads.

March, however, is probably the regional consultancy that will get biggest. It already has 60 consultants, though the turnover of its main business is still only comparable with Collinson Grant's. It has an office in Windsor and has gone nationwide in prospecting for clients.

It has also opened a branch in Washington DC, with six local US employees, and has formed a joint venture with Professor Bodo Linnhoff, the energy efficiency expert from the University of Manchester Institute of Science and Technology.

Mr Hopkins says that some national business is not open to regional firms because some companies and public sector bodies will always go to high profile, big-name, London-based consultancies, even though the job will be probably done by a junior consultant with little experience.

But that, he says, does not mean that the regional consultancies are not national. All draw clients from anywhere. Indeed, with the geographic centre of the national motorway network at the crossover point of the M6 and M62 near Warrington, it is actually easier to get to most of Britain from the North than it is from London.

Ian Hamilton Fazey

Management Consultancy 4

The Big Bang

The City opens up a new market

THE RUN UP to the Big Bang has created a new market for management consultants among financial institutions. Faced with deregulation of the commissions structure in the securities markets, the opening of the Stock Exchange to new kinds of members, and the internationalisation of trading, the whole business of finance has had to change rapidly.

The foreign dealing room at Morgan Guaranty: ready to meet tougher competition

In the City, management consultants have found clients who must tackle a series of managerial problems they have never faced before. The heightened competition which will be unleashed on October 27 makes the price of strategic advice and implementation of systems less important than actually getting the business structured to meet the onslaught.

The consultancy arms of the big accountants, with their City contact, are in demand. They have brought some of their people back from US offices, for their experience of American markets and superior technology to be put to use in London.

American-based consultancies are able to sell their expertise on how deregulation affects players in the markets—they saw the same process in New York's Mayday in 1975. But other firms of general consultants, like Inbucon, and computer-based consultants like Hoskyns and BIS, are also finding work in the City.

As a result of the demand for their services the consultants are expanding. Coopers and Lybrand's financial services division has grown from eight professionals to 55 in three years, with another 25 or so on secondment to the division from other parts of the firm.

Peat Marwick has built up a specialisation in recruitment and remuneration work. Its human resources group was started two years ago and has 35 consultants, with 40 per cent of its clients coming from the City over the last six months.

The financial sector is becoming an important source of fees for management consultants. In 1985 it accounted for almost a fifth of the income earned by members of the Management Consultants Association, a rise of 25 per cent over 1984. At Arthur Andersen, among the biggest consultancy firms internationally, some 35 per cent of fee income derives from financial services sector assignments.

The kind of projects they have been called in to advise on or undertake for City firms cover the whole range from strategic planning, through structuring the business to installing individual systems.

"Clients are more effective users of consulting services than they were a few years ago," said Mr Bob Simm, partner at Peat Marwick Management Consultants. "Even at the point where they have been talking about mergers we have been brought in."

The Cambridge, Massachusetts-based MAC group has also been called in to advise on the desirability of an acquisition—in one case its verdict was not to buy into the equity or gilts market.

Price Waterhouse has been asked to carry out what amounts to a corporate finance task — doing a preliminary search for merger candidates. Then, once the bidding is opened with a prospective partnership, it has done further investigation and brought in its auditing practice.

It has made use of the strong relationships it has with brokers in the City to find out who might be interested and the shape of their business.

Valuation of a stockbroking or jobbing business brings its own difficulties to a prospective buyer, so consultants are called in. But in the rush to be in the market by October 27 some unwise decisions may have been made.

"You could not justify the prices based on the economics of what businesses were generating," said Mr James Kelly, senior vice president of MAC Group. "With price deregulation, brokerage firms are going to produce some real red ink."

Once a merger has gone through consultants have been brought in to put the organisations together. Sometimes their task is limited — Peat Marwick, for instance, has carried out reviews on the effect of people coming into an organisation from a different pension scheme. But it can also involve designing the organisational structure, reporting systems and technological integration for the new conglomerate.

In other cases a firm decides what it wants the shape of its business to be and brings in outside consultants to make it happen. Arthur Andersen has had 70 people at a merchant banking subsidiary of a UK clearing bank for 18 months.

The bank wishes to become an international investment bank, and has trebled its staff over the period. "We are designing, programming and implementing the systems needed for the bank to be in business at all," said Mr John Skerrit, partner at Arthur Andersen's financial markets division.

Occasionally consultants have rescued City firms from the jaws of disaster after being called in for a routine check. "At least one organisation we caught in the nick of time in May," said Mr Murray MacFarlane, director of the financial services division at Coopers and Lybrand. "There is no way it would have traded."

Consultants have also scoured the City for the kinds of experts their clients are short of—dealers, whose telephone number salaries have become legendary, technologists and financial controllers, and run training courses to alert brokers and jobbers to situations where conflicts of interest could arise in the same organisation.

Some, like Price Waterhouse, are bringing American techniques of profit measurement to the London market. These were developed in the wake of New York's deregulation of commissions.

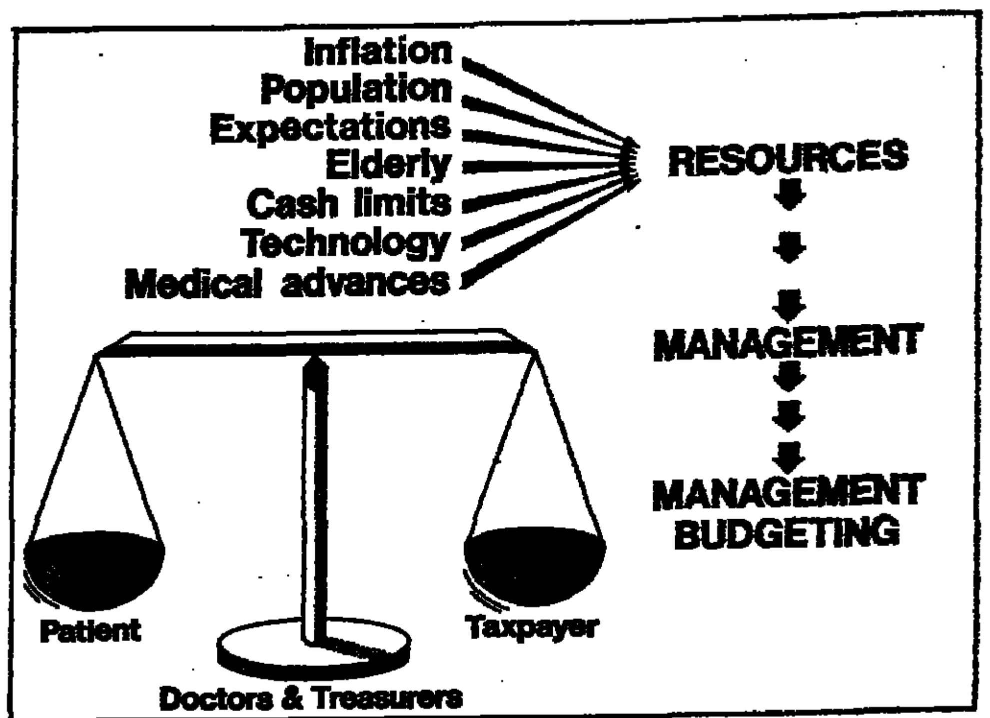
The City is fertile ground for the management consultants because the multiple changes have flung the finance sector into unfamiliar territory and imposed a tight deadline. But demand for their services is unlikely to peter out at the end of the month.

Decisions about what areas of business to be in, what computer and telecommunications systems to buy, what kinds of people to employ and how to pitch pricing have all been taken hastily and with no real knowledge of how the markets are going to work.

The whole area of managing big projects is unfamiliar to the City, in a way which is not true of manufacturing industry. Neither is pruning the costs of a back office while boosting its efficiency normally the concern of the City's senior executives —now it is vital for commercial success.

The management consultants expect finance houses to begin to engage in long-term strategic planning once the explosion of Big Bang is spent, something they cannot hope to do in the present turmoil. That would generate more work for the consultants on all the fronts where they already operate.

Sue Landau



Arthur Young's view of the pressures for improved resources control in the National Health Service

Public Sector

Biggest potential is education sector

INCREASING emphasis by the Government on value for money in the public sector has brought a valuable new market to management consultants. Furthermore, the vast scale of the public sector—still accounting for about 43 per cent of Gross Domestic Product despite the Government's continuing efforts to reduce the proportion—means that as some areas reach maturity in terms of their need for consultancy, new ones are opening up.

A decade or so ago, it was mainly central government departments and the nationalised industries which called in consultants for advice. The growing pressure by government on local authorities to contain spending with the aid of various "carrot and stick" methods forced them to examine their organisation and systems more closely.

This was compounded by the extension of the Audit Commission's powers to make comparative studies of local authority efficiencies in their many activities.

Local authorities have been joined by the National Health Service as one of the major sectors of public expenditure needing outside advice and help. This has been particularly the case since the Griffiths Report on the management of the NHS which led to the appointment of general managers at regional and district levels, although some senior consultants believe the fact that these were mostly internal appointments has delayed the implementation of rapid change.

New methods of financial management systems—management budgeting—were devised and implemented, initially in two of the four pilot districts nominated by the NHS by Arthur Young, for example, which have since been put into about 30 districts. But most of the larger management consultants have been focusing on the NHS, and seeking to establish a track record, in the belief that there is substantial growth still to come.

Sometimes, the health assignments are quite specific. Coopers & Lybrand, for example, were asked to look at the deployment of resources for cancer treatment in the London area—a project for which it was necessary to bring medical advisors into their own team. NHS linen services in Scotland are being reviewed by Inbucon. The scope for similar efficiency investigations within the NHS is enormous.

Most of the big consultancy firms have divisions dedicated to the public sector—a measure of the fact that government and public funded bodies and establishments, from the armed forces to opera companies, are responsible for about one-quarter to one-third of their revenues. Much of the expertise sought by the public sector is in computer systems—the choice of system and the sort of information that it can encompass.

Consultants, however, often view the assignment in broader than purely technical terms and include experts in finance, accountancy, personnel, etc, in their teams. This approach is also an advantage to the consultancy firms in that it develops their personnel and their knowledge about the public sector, which can give them the edge in this highly competitive market.

Some like to recruit people to head up their public sector teams who have working experience of the sector, whether from the civil service, public corporations, or organisations like the NHS. Some also arrange secondment periods for their senior people to give them an insight into the way that the public sector works.

Government policy on privatisation has produced a crop of projects for smaller specialist consultants as well as the majors. Corporations earmarked for privatisation have been anxious to prepare their private sector debut by presenting themselves as efficient and cost effective, while government has also felt the need to take independent advice on a range of issues.

NERA, a firm specialising in micro-economic analysis, for example, was asked by government to look at the regulation of the British Airports Authority's London airports which would be required post-privatisation, and by OFTEL (Office of Telecommunications) to review possible anti-competitive practices in the industry.

British Airways, looking to the privatisation horizon, commissioned Atkins Planning to carry out a strategy study designed to maximise the efficiency of its properties worldwide.

Central government departments sometimes commission extensive consultancy reviews: Coopers & Lybrand is looking at the future of the computer services industry for the Department of Trade and Industry, for example, which will help civil servants and ministers in framing policy.

The introduction of the Financial Management Initiative in the civil service in 1982, and the continuance of the Efficiency Unit (set up by the Prime Minister under Lord Rayner in 1979) has made Whitehall increasingly more management orientated. Furthermore, FMI is being taken right through the services which are partially or wholly government funded.

In similar vein, the emphasis on competitive procurement by the Ministry of Defence has opened up a fertile field for consultants. The more the Government puts the squeeze on defence spending, the more attention has to be paid to the management of resources.

But it is the education sector which many consultants believe holds the biggest potential. Highly resistant to change, and characterised by complex organisation with responsibility resting between the Department of Education and Science, and the local education authorities, there is an urgent need for independent advice and support in identifying scope for change and managing that change.

The main challenge for the industry is to find the means of unlocking the resistance, and harnessing the management potential lying largely dormant within the system.

Despite the greater emphasis in the public sector on getting value for money, it remains subject to political direction. Switches in emphasis in policy terms make this a more vulnerable market than the private sector. Although still buoyant most consultants are planning for a lull in the hitherto expanding public sector in the run-up to an election.

A change in government post-election could lead to less activity in certain areas. Nevertheless, there is little likelihood of a massive swing against the overall policy of getting better value from the public sector, so that this will remain an important business area for consultants.

Hazel Duffy

Management Consultancy 6

Information Technology

High-tech wings show fastest expansion

"TO BE a first class business consultant today, you have to be a first class information technology consultant."

So says Mr Keith Burgess, partner in charge of information technology at Arthur Andersen. He was voicing a thought which comes readily to many consultants.

There are two main reasons why information technology is increasingly important to the management consultancy world. The first is the sheer speed with which the information technology side of most consultancies is growing.

Many consultancies say their high-tech wings are expanding at the rate of 25 to 30 per cent a year. The latest report from the Management Consultants Association, which represents 27 of the leading firms, says that information technology is the biggest sector for its members, accounting for over a third of their business.

The second reason is of a more strategic kind. "You have to think about IT at a higher level than merely thinking about it as a technology. Some of the decisions associated with IT have pervasive implications throughout an organisation," argues Mr Stephen Dale, director of information technology at Inbucon.

A common theme among management consultants is that IT once seen as the esoteric preserve of computer boffins, is now at the heart of business strategy. It is becoming standard for IT strategy to be overseen at board level, often by the managing director.

This trend is something of a new phenomenon. As recently as 1984, a survey by Mr Tom Bevington and Mr Max Hand of consultants A. T. Kearney, sponsored by the Department of Trade and Industry and the Institute of Administrative Management, suggested that most companies failed to align business and IT strategy.

They saw IT simply as a back-up service for middle managers. Many companies were facing a strategic threat because they were unaware of how their competitors were using IT to win competitive advantages, the report concluded.

The present convergence between business and IT consulting is a response to such deficiencies. The traditional management consulting firms and the consulting wings of large accountants point to the depth of business experience they can bring to this convergence.

Consultancies based in software houses, by contrast, claim a superior grasp of the technological input. "We're moving from pure technology into business management, but our edge is that we understand and can control the technology," argues Alan Smith, managing director of Logica's consultancy business.

The convergence sets new challenges for all types of information technology consultants. They are often having to deal with a new set of demands from clients and a new set of managers in their client companies.

"Computing used to be a back office function. Now it's moving into the front office, so that, for instance, marketing is being driven by IT," says Mr Vernon Ellis, managing partner at Arthur Andersen.

One example Ellis gives is that many companies are now computerising information about their existing customers, because this will help them to launch marketing drives for new products in a more precise and structured way.

Mrs Thatcher visiting the Advanced Manufacturing Technology office of Inbucon Technology and (right) Geoffrey Pattie, Minister for Information Technology, watching a demonstration inside a mobile electronics factory prepared for the DTI by Inbucon

Operations which used to be regarded as dull backwaters are, through the application of IT moving into the mainstream. This applies to telecommunications, where in the 1970s consultants tended to be asked for advice on limited issues, like the choice of private exchange equipment.

Mr John Jarvis, chief executive of PA Computers and Telecommunications, explains: "Companies which are successful have stopped looking after their telecommunications operations as they look after their loos. They have taken telecoms away from the office manager and given it to new directors of IT."

Mr Jarvis, who has sponsored academic research on how to use telecommunications to help companies win a competitive advantage, says this new stress on telecommunications has arisen for two reasons: the choice which telecommunications liberalisation has opened up; and the continuing convergence between telecommunications and computing.

As a result of this increased interest, however, consultancies are faced with a new problem: "People who know the telecom business at the level we want are hard to find," Mr Jarvis says.

On the other hand, shortages of key staff elsewhere are helping to generate lucrative IT contracts for consultancies. This is particularly true of the public sector.

The Central Computer and Telecommunications Agency, (CCTA) responsible for management of government information technology, says that spending on consultants was £50m last year and is likely to be £110m in 1987-88, up from about £10m to £20m in the early 1980s.

These figures understate the increase, because consultants also get central government business from other growing areas of the Government's budget such as turnkey projects, where a prime contractor is hired to install a total computer-based system including hardware and software.

The CCTA gives three reasons for increased use of consultants: a surge in demand by government departments for IT; the Government's policy of contracting out as much work to the private sector as possible; and the inability of government departments to attract enough key staff party for pay reasons, to do the work in-house.

The size of IT projects on which consultants work is getting bigger, partly because many companies are now pursuing an integrated company-wide IT strategy. Arthur Andersen says it is typical to have over 50 consultants on a major project, whereas a few years ago 25 would have been considered large.

Yet there is work for smaller consultancies too. TEK management consultants is a Sheffield-based group with about 25 consultants and a turnover of about £1m a year. When it started in 1976, its main focus was on production engineering. It gradually moved more into IT as its clients wanted to know about developments like computer-aided design.

Mr Trevor Kelly, TEK managing director, says: "The fact that we are based out of London means we cannot charge lavish fees and our clients want to be able to see a real difference at the end."

New organisations are moving into the field too. One of the most recent is the Computer Industry Research Unit set up at the University of East Anglia last year by Professor Krish Bhaskar, well-known for his work on the motor industry.

The unit, which has about 12 people, won its first big contract under the European Commission's Esprit programme. The project is a study of security of IT systems, particularly in the financial sector.

Mr Bhaskar hopes that the unit, which is entirely self-financing, will branch out from this to do more consultancy for companies. He says that one of its advantages over traditional consultants is its ability, through its link with the university, to keep in touch with the frontiers of research.

The extra demands made of IT consultants is matched by a greater sharpness among some client companies about what is on offer. One large retail chain recently hired a well-known consultancy to advise on an integrated telecommunications and data strategy.

The result was less than perfect. "We had to hold their hands," the retailer's telecommunications manager says. "You need someone really on the ball to understand the new applications and they just weren't up to it."

Yet, from the standpoint of the consultancy industry, the story has a happy ending. The retailer has not been put off consultants for good: "But next time we'd be more careful about how we select them."

David Thomas

Manufacturing Technology

Where hands-on experience counts

MANUFACTURING has come back into fashion as a key element in the development of corporate strategy, with a heavy emphasis on new technology as a solution to improved performance, increased flexibility and better uality.

Consultants have come into their own in this new environment because the impetus to change has proved well beyond the resources of many British companies. While the theme of automation has been around for many years, the rapid increase in computer power is creating an enormous range of possibilities for streamlining production on the factory floor.

But the development and application of these techniques also demands a broad range of skills, many of them relatively new and certainly not present in anything but the very largest corporation.

These deficiencies in expertise have created opportunities for management consultants in two main areas. First, they have been able to go to companies with the offer of broad-based strategic planning teams able to look at the whole of the manufacturing process and suggest the appropriate response for the particular company.

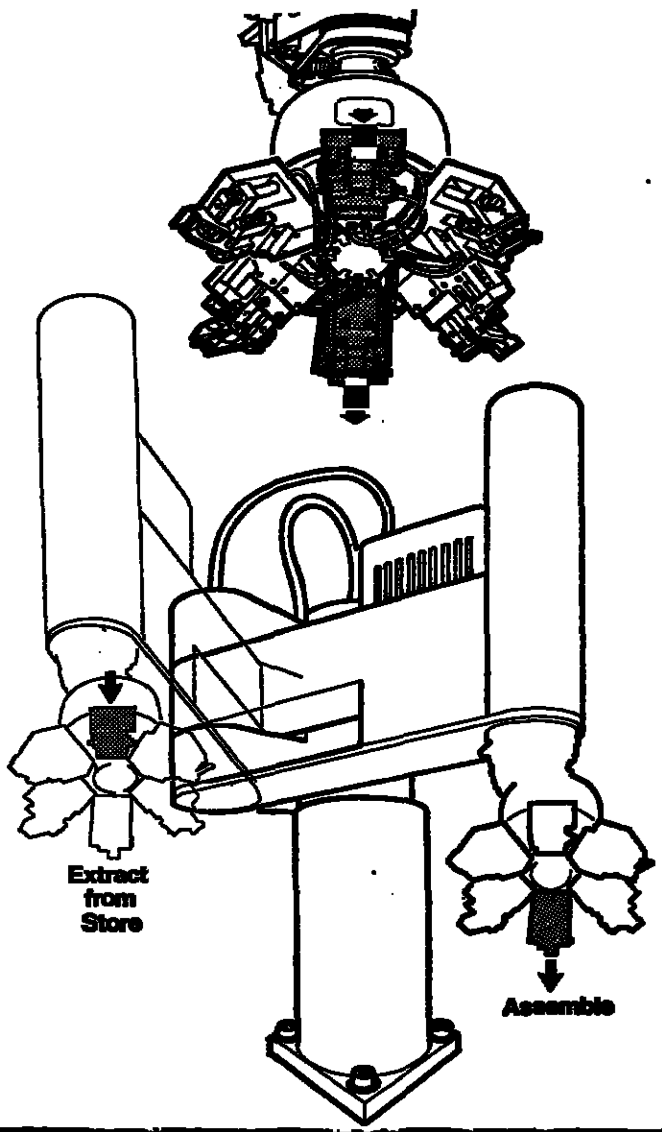
The aim of these consultants is to try and look at the total system represented by the manufacturing process, link that with the needs of the market place, and consider the balance between introducing new products, improving the manufacturing processes, or simply changing management systems.

The application of any new technique in one department has a knock-on effect in another, but companies frequently fail to see the connections. As Mr Philip Taylor, the partner responsible for manufacturing management at Deloitte Haskins & Sells, puts it: "If you are trying to halve costs by a robot, but the use of the robot doubles inventories, you are not really helping yourself."

The second main thrust of manufacturing consultancy activity has been in the nitty-gritty of factory management—helping plan and install advanced manufacturing systems. Here again, consultants represent a short cut to expertise which many companies may not have in-house, and which they might not want to acquire on a long-term basis in the shape of hiring a permanent member of staff.

Perhaps the most extreme example of hands-on involvement by consulants at the shop floor level is at P. A. Technology, the 16-year-old consulting group which now employs around 350 people. PA came up with a unique idea—a consultancy based on a laboratory that develops new manufacturing ideas for sale as a package to industry. Its research effort ranges across the spectrum from engineering to bio-technology.

In practice, the application of this concept can vary widely. One example, says Mr Stuart Exell, European chief executive of PA Technology, is a highly sensitive robot turret, a mechanical "hand" with six heads that can be used in delicate assembly processes.



PA Technology's unique idea of a consultancy based on a laboratory that develops new manufacturing ideas for sale as a package to industry produced a highly sensitive robot turret, a mechanical hand with six heads used in delicate assembly processes. It is seen above (top) in conjunction with IBM's Scara robot (bottom)

Another is an automated production line designed for manufacturing the keyboard of the IBM personal computer at Greenock in Scotland. PA Technology set up parts of this line and ran them in before delivering them to Greenock. After the line was shipped, says Mr Exell, it was up and running in two hours, a remarkable achievement given the normal installation time in industry, which typically amounts to several weeks.

While PA Technology's approach is unusual, it demonstrates the rising market demand for hands-on manufacturing consultants. Mr Brian Small, managing director of the British operations of Ingersoll Engineers, says that the market for manufacturing consultancy began to take off strongly about four years ago. Ingersoll itself has grown in the UK from 10 people in 1975 to 150 today.

Ingersoll is commonly regarded by other consultants in the field as the group that is closest to technological solutions to problems of competitiveness.

The big eight accounting groups which have expanded into the manufacturing consultancy field over the last few years are more commonly associated with what has been called, somewhat derisively, the "computer push" approach — applying computerised solutions to production management by, for example, redesigning the system of inventory management.

"They have simply transferred the computer skills they developed working for the banks and financial institutions to the manufacturing sector," says one critical rival.

The specialised, longer-established consulting groups—companies like PE Consulting or Inbucon — stress a more integrated approach. PE, for example, has around 65 to 70 consultants working in its manufacturing division, and they embrace a very wide range of disciplines—although most of its employees have an engineering qualification, their specialist areas of expertise range from computer-aided design to factory layout and handling, control processes for inventories and production and manpower organisation.

"Many of the problems in factory management exist either because of poor management or poor design," says Mr David Blore, managing director of PE's manufacturing division. "We go for a business rather than a solely technological solution."

Dr Alastair Bryce, director of manufacturing technology at Inbucon makes a very similar point. Indeed, many consultants in the manufacturing field tend to stress the fact that the steady increase in the amount of technology, computerised systems and automation applied to the factory floor places increasing emphasis on other managerial issues.

On the human side, it demands more knowledge and better training. In financial terms, heavy investment in a new, robotised production line may only aggravate a company's problems by increasing the strains on its finances if the product that is being made is badly designed.

Despite Ingersoll's image as the most high-tech oriented of the manufacturing consultants, Mr Small strongly endorses the view that automation alone is no answer to anyone's problems. "We have only acquired the reputation of being in the nitty-gritty of automation because we have people who understand a factory and the technology, and who have managed a business themselves. Technology is only a tool," he says.

Mr Small believes that companies need consultants periodically because every now and again they go through periods of radical change which they may not have the expertise to manage themselves. In a ten-year cycle, seven may lend themselves to routine management. But three may demand different solutions—and much of British industry is going through such a period of reorganisation at present.

"I actually believe that we might be getting our manufacturing activity on the upturn at present," he says.

In common with other consultants, Mr Smith also argues that the period of industry's infatuation with exotic automated solutions to manufacturing problems is rapidly giving way to a more hard-headed approach to competitiveness.

Lack of ability to compete often relates to product design, for example, so that products have to be entirely reshaped to begin with. On competitive problems, Ingersoll first seeks to measure the company against the best in the world in terms of overheads, production times, quality and so on.

It then tries to build a strategy which will bring the group up to the same level or better than its competitors, applying whatever changes are necessary —new products, fresh factory lay out, improved organisation and so on.

"The factory of the future is simple, smaller, has fewer levels of organisation, employs shorter lead times, is flexible and applies the best technology in the key areas," says Mr Small. "It is also people-driven, because competitiveness is people-driven, not technology-driven."

Terry Dodsworth

Recruitment & Training

Increase in hiving off of personnel activities

"YOU OFTEN hear people saying of companies that they've got too many chiefs and not enough Indians, but we've a different problem here," snapped a works manager not long ago. "What's wrong with this outfit is that we've too many witch-doctors."

He was referring to fellow employees who—unlike himself—had no direct "line" responsibility for producing or selling goods and services, but worked as specialists on abstruser matters.

"Getting a decent job done on schedule is hard enough without having know-all busybodies from planning and what-not telling you to do it some other way," he added. "The worst of the lot are the personnel department. The only time I'm pleased to see them is at their leaving parties."

He is far from alone in having a disparaging opinion of the so-called "staff" side of management. It is an attitude which is evidently shared by a lot of line executives, and not only in Britain, even though few would be likely to voice their view so bluntly.

Given that so many of them are sceptical of the worth of specialists who are colleagues within the same company, it might be expected that there would be still greater resistance to similar specialists brought in from outside as consultants.

But the signs are that, when it comes to getting their services accepted by line managers, external consultants often succeed where internal staff fail—which is probably fortunate in the light of a trend apparently developing throughout the business sector.

More and more organisations of pretty well all kinds and sizes seem to be deciding to concentrate the efforts of their diminishing in-house workforces on the mainstream tasks of developing, producing and selling products. In consequence, they are increasingly hiving off the more peripheral activities to self-standing consultancies.

Few if any varieties of specialists are exempt from the trend, not even accountants. Among the thrusting sunrise businesses in high technology, in particular, a good many look to be determined to keep the number on their payroll to the essential minimum and, as far as is practicable, to meet their needs for financial expertise as well as skills such as marketing by buying-in from outside.

The branch of in-company specialist work that has so far lost most ground to the "consultants' takeaway," however, is personnel. What is more, it can resign itself to losing still further ground in the future, according to Mr Parry Rogers, chairman of the Institute of Directors, who retired some months ago from heading the personnel function in Plessey.

If he returned to that job in a few years' time, he said, he would almost certainly have difficulty in recognising it.

"Big-company personnel directors have traditionally been rulers of armies of in-house specialist staff. But I don't think many will be for much longer.

"They will be more like chief buyers. Companies will not keep a range of different personnel specialists on the payroll. They will bring them in from outside as and when required. The ability to manage a large staff will not be an important factor. The key will be knowing not only the personnel needs of the business internally, but which external consultancy will best have the expertise to do the appropriate job."

Mr Rogers's prediction is supported by a research study published earlier this year by Mr Derek Torrington and Ms Lesley Mackay of the University of Manchester Institute of Science and Technology. With aid from the Leverhulme Trust and the Institute of Personnel Management, they made a questionnaire survey of 350 employing organisations in Britain, and followed it up by interviewing specialists in the field, most of whom held high rank in their company.

Their main conclusion from the study is that "the use of consultants is substantial and increasing." Moreover the activities the outsiders are mostly taking over are not the odds and ends of company personnel work, but tasks which have for long been regarded as its central core. They include training and management development, as well as recruitment and selection.

Another finding was that the trend was positively welcomed by the majority of the in-company personnel staff who were questioned face to face. That, however, still leaves the UMIST researchers with misgivings about the development.

They point out that the enthusiastic interviewees were mostly very near if not already at the rank of director, and so were presumably no longer in close touch with the detailed concerns of their specialist subordinates. They were "undoubtedly managers first and personnel practitioners second.

"They were tending to withdraw from being identified as personnel professionals and seeking a closer identification with general management," the study report explains.

Among the internal staff at the nittier, grittier levels below, the general attitude to consultants' takeaways was distinctly chillier. "They can take over your role," ran one fairly typical comment. "They can come into the company and make contact with your managing director, and you can lose control if you're not careful."

Mr Torrington and Ms Mackay also have qualms about a further implication of their predicted increase in the hiving off of personnel activities. They suspect that it will whittle away the personnel practitioners' in-house career ladder, and along with it many companies' stocks of expertise in the more deeply specialised aspects of the work.

Within a growing number of businesses, the "people" function will be headed by generalist line managers pitched into personnel at best as a staging post on their journey up the executive hierarchy. "They may have a deep and full appreciation of line management problems, but any claim to special competence will be hard to sustain."

While the two researchers evidently think that companies will be on balance worse off for following the sub-contracting fashion, however, the witch-doctor-despising works manager and many other line executives would certainly disagree.

They could argue, for instance, that there is little use in companies having "special competence" in personnel and other staff functions on the payroll unless the specialists' advice is turned into improved practice by the managers who actually deliver the goods.

They might go on to claim that the main reason why such specialists have so often gone unheeded is that, being under the protection of large internal departments, they have tended not to bother to acquire the "appreciation of line management problems" that would enable them to tailor their advice to sharp-end executives' practical needs.

They could also argue that external consultants, dependent for survival on winning repeat assignments from satisfied clients, could not afford to take such a professionally self-centred attitude.

Even so, from the viewpoint of an independent observer, there remain good reasons why companies would do well to think carefully before handing over more and more of their staff-specialist functions to outside operators.

One of the reasons is that, with due respect to management consultancies, not all of them always look thoroughly into what needs to be done in their client companies, and then tailor their solution to the real problem. At least some tend to take the short cut of

CONTINUED ON PAGE 9

Mr Dominic McGlynn, managing director of Harold Whitehead and Partners and (right) Mr Bill Brown, a partner in Coopers and Lybrand's business services unit

Business Planning

Competition: the third dimension

THIS IS the decade when British industry is facing up to its fading international competitiveness and trying to do something about it. British companies have been gradually losing market share abroad and succumbing to penetration of their home markets by foreign competitors.

Manufacturing productivity in Japan is currently growing at 0.5 per cent a year, while in the UK it is declining by 0.1 per cent, according to the Organisation for Economic Co-operation and Development. One group of people behind the effort to change is management consultants, who are called in as troubleshooters to help redirect a company's business and recapture lost ground.

The image management consultants used to have in industry was as time and motion men, sharpening up working practices. By the turn of the decade they were viewed as executioners, brought in to justify swingeing redundancies.

They claim to be more concerned with growth, defining strategy for companies to help them to meet competition head on and win, advising on better organisational structures, cost controls and technology. Company managements see in them a source of expertise they do not need to employ in-house but can call upon in times of need.

The discipline of management consultancy has evolved since the 1920s as a staircase of products offered to industry, according to Mr Dominic McGlynn, managing director of Harold Whitehead & Partners, a medium-sized consultancy specialising in strategic competitive advice. Until the 1970s the profession's approach was tactical, dealing with the nitty gritty of payment systems and salary structures from the 1930s to 1960s.

It became an exercise in offering strategic advice over the 1970s, developing models managements could use to find out and carry out their objectives. Now, with the concern over competitiveness and the importance of technology as a competitive tool, both strategic and project work is in heavy demand.

Management consultants in this area report growth in fee income of the order of 20-25 per cent a year over the past two years. During the recession in the early 1980s, when industry had a shake out of labour and capacity, the consultants' growth was slower at around 10 per cent a year.

"Many companies still have costs that can be taken out," said Mr Len Brooks, chairman of Incubon, one of the larger consultancies. "They can reduce manufacturing lead time, materials costs and scrap and improve materials yields. If you do a model of the structure of the business and look for a 1 per cent improvement in about seven different areas, you will improve profitability in the order of 30 per cent."

But financial control is a way of measuring a strategy rather than the strategy itself, says Mr Dominic McGlynn. At Harold Whitehead he has developed a competitive analysis aimed at understanding an industry as a whole, plotting the variables and identifying the critical differences a client could make to achieve competitive advantage.

"Britain still has a classic producer mentality," he said. "We are trying to get companies to understand a third dimension, not just products and markets but also competition."

British management is less international in its understanding than its foreign competitors, says Mr Michael Thomas, managing director of AT Kearney, an American-based consultancy which split from the renowned McKinsey in 1949. As a result it get caught out. "It's being hit from different directions by surprise moves where warning signs have been there for some years."

International companies from the US, Europe and Japan are more aware of the need to manage their business in a horizontal, rather than vertical, way, he says. Manufacturing, marketing and sales should all be integrated behind an operational or strategic push. AT Kearney has taken foreign multinationals with a significant UK base through this exercise, but fewer UK companies have requested.

As industry regains some competitiveness ground it is demanding cost effective automated processes across a wide range of industrial sectors, according to Mr Alan Murphy, marketing director of Cambridge Consultants, a subsidiary of Arthur D. Little which concentrates on product and process advice. That is followed by a need for new products and advice on product strategy to stand up to American and Japanese competition.

In the UK market "own brand" products are widening their scope from the shelves of supermarkets to fabricated "hard" consumer products, like Marks & Spencer furniture, he says, which are estimated to account for 25 per cent of their market by the next decade. The consultants' role there is to bring consumer market research to their manufacturing clients, who are often quite far removed from their customers.

Information technology consulting has been a strong growth area for management consultants, prompted by the fall in price of computer technology and breakthroughs in the ability to manipulate information. But companies employing consultants in that area should apply a test of their approach to see whether they will do a good job, according to Professor Igor Aleksander of the Computing Department at Imperial College.

"As a first step the consultant ought to look hard at the business plan with respect to computers," he said. His recent survey of some 20 consultants specialising in information technology found only one which scored full marks for its methods.

Britain's declining industrial performance has been put down partly to a lack of entrepreneurship, shown in a smaller sector of young and independent businesses than even her European neighbours can boast, let alone those in the US and Japan. Since the Conservative Government of 1979 set about stimulating small businesses the consulting arms of the big accountants have found themselves a niche.

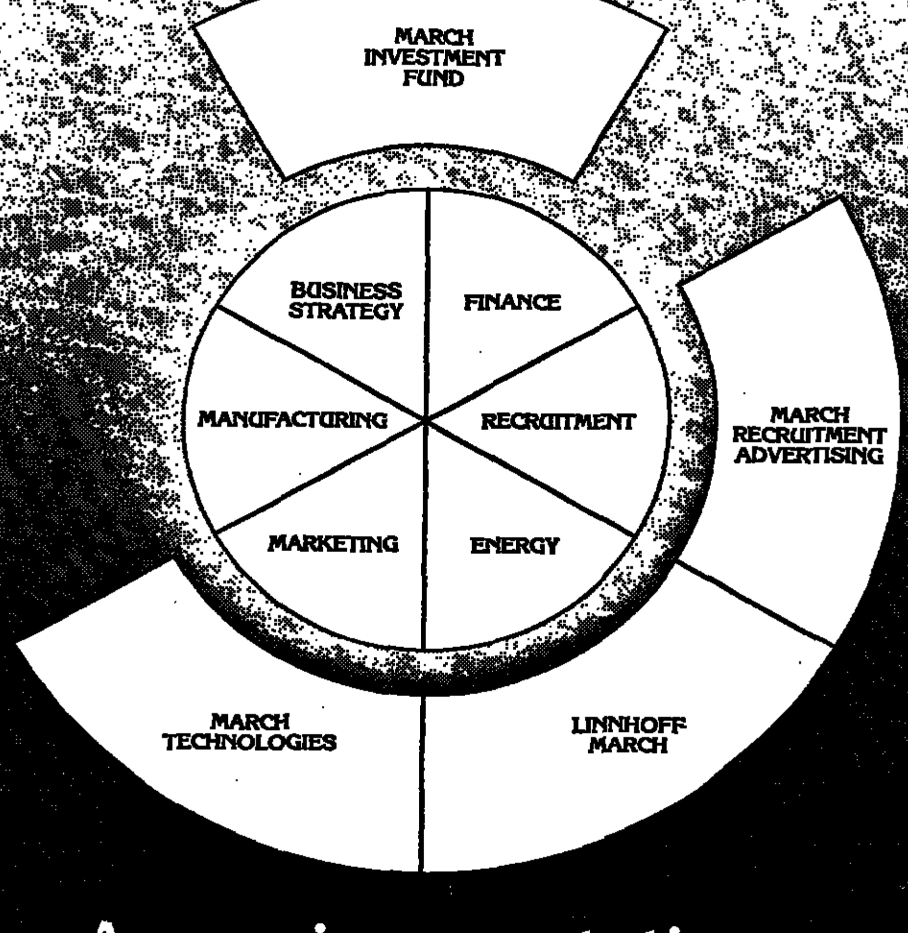
Coopers & Lybrand have a one top shop in the shape of its business services unit, set up in 1979. The small company approaches a partner in the unit who will assemble specialist expertise from either the consultancy or accountancy practices. "Rather than the consultant dealing with his specialist equivalent in a large company, we have a generalist dealing with the managing director of a small company," said Mr Bill Brown, a partner in Coopers' business services unit.

The accountants' natural extension of their practice has been to help small businesses to raise equity capital—Coopers moved into this area in 1983 and recruited former venture capitalists, bankers and entrepreneurs to provide a strategic advice service.

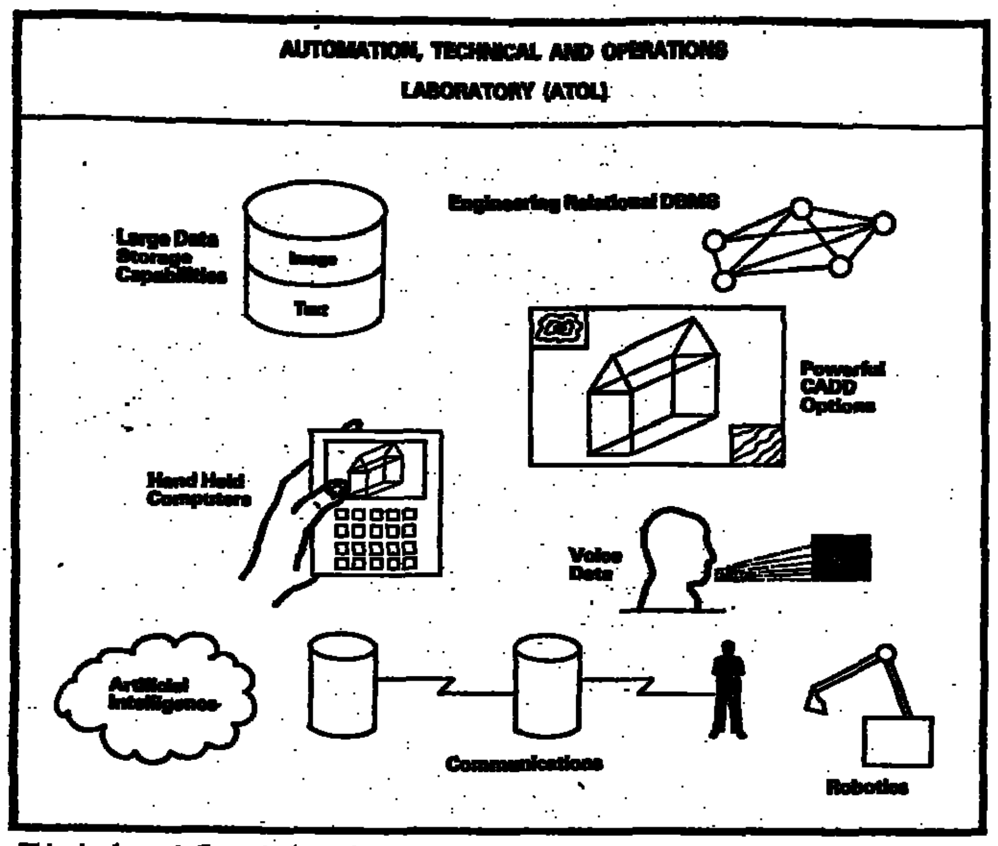
Robson Rhodes has also made a name in venture capital advice. It has proved a growth area for both firms, with Coopers showing 30 per cent growth, and Robson Rhodes a fivefold increase in as many years, in fee income from their small business work.

Ironically as management consultants apply themselves to helping others to withstand competition, their own field has become more competitive and segmented. The pressure is on to specialise, and the smaller consultancies are growing more rapidly than the large, well established ones. Perhaps they will soon threaten the big boys on their own ground.

Sue Landau



Management Consultancy 9



This is how Arthur Andersen's new laboratory at Chiswick is being structured. It is designed to enable new cheaper computing power to be put to practical use in the business environment. The Automation, Technical and Operations Laboratory covers robotics, hand-held computers, voice recognition and many other computer-aided processes.

Independents

Leaner look has price advantage

ANYONE LOOKING for a management consultant would normally aim for one of the well-known names like Price Waterhouse or PA for no other reason than that such organisations are well-known names.

"There's a yawning gap between the Price Waterhouses, PAs, of this world and the independent consultant, according to Mike duQuesnay managing director of Guardian Management Services.

Independent management consultants either work as small companies or are part of an independent group which has members whose talents in total can offer the same range of services as a large international group.

The Richmond Group is an example of a number of small independent management consultants getting together to offer an extremely wide range of services.

John Gamble, Acumen Consultancy Associates, is a member of the Richmond Group and believes that the best definition of an independent management consultancy is one which has fewer than five permanent staff.

Mr duQuesnay, "The larger organisations can feed work to their consultancy arm, this isn't available to the small consultancy."

The smaller consultant can't offer the same range of expertise as the large operation, and here an organisation like the Richmond group with its 60 members can provide the same expertise through its range of consultants.

The Guardian Group has three companies: one specialises in computing, one in business planning and the third is a financial consultancy.

The group was formed in 1982 and currently has over 60 members based throughout the UK. They have worked for well-known organisations including The Stock Exchange and Rank Xerox.

Specialisations of members include financial management and accounting, company formation, production engineering, planned maintenance, quality control, personnel management and recruitment, business administration, company policy right through to general problem solving of all types.

Selecting an independent management consultant is not easy as there is no guarantee of professional ethics. There is no formally accepted qualification as in other industries and no controlling body for management consultants.

The best way is to contact the Institute of Management Consultants which maintains a register of members and explain the type of problem to be solved. They will provide several members names in that particular area.

From the consultants point of view one of the most difficult parts of the job is defining the true problem to be solved. John Gamble often finds this is not the one suggested by the client.

Mr duQuesnay warns against consultants who claim "I can do everything!" because in practice they cannot. Where a project covers a range of disciplines the independent should be able to bring in an associated consultant with the specialised knowledge required for that part of the project.

Neville Ian Ash

Temporary Executives

The outsider who is on the fast track

THERE WAS a time, in the not too distant past, when companies suddenly confronted by an unexpected need to diversify, set up a new venture or cope with an unforeseen resignation or prolonged illness, would either look to their internal management - development resources or call in the headhunters to poach additional permanent staff fast.

Not any more, according to the management consultants, Inbucon, who report that the management resources of most companies today leave little or no margin to cope with a sudden overload because, in current circumstances, the order of the day is "keep slim."

So, instead of increasing permanent employees, company managements under pressure from the introduction of new products, services and/or technologies—for which they lack the skills and experience—are, Inbucon reports, putting temporary executives on the payroll.

Not that there is anything particularly new about temporary executives—notably in such industries as offshore oil and consultancy engineering—it is just that there is now a widespread recognition of their role in most sectors of industry and commerce where they are evidently setting a new trend. It is the recognition, albeit belated, of "executive temping" that is new.

Mr Tom Lederer at Inbucon says: "The CBI, in conjunction with Inbucon—who have for several years seconded top-level temporary executives to its clients to meet the kind of circumstances for which they are in demand today—has launched a new service to its members this year, building on our experience of administering this rather specialised operation and of maintaining an up-to-date register of carefully vetted executives who carry out this type of work."

Mr Lederer argues that the image of the executive temp is fast changing to that of a high powered mobile senior manager or member of the board, as more and more high-calibre people go down the temping road which has become a very fast track indeed, with considerable career prospects.

Often the temporary executive is a very big wheel more able and better paid than both the permanent member of staff to whom he reports—while completing his assignment—and the permanent employees who inherit his handiwork after he has left.

Because he is temporary and from the outside world, he is likely to be better motivated and less inhibited than those on the inside

The idea that he is an anxious redundant-executive, humbly grateful for whatever crumbs can be scraped from the table of full employment, is not, according to Inbucon, what executive temping is all about. It is about a new and exciting kind of career progression on a consultancy basis, as more and more personnel departments are structuring their long-term management resource to include highly-confident temporary and short-term contract staff, as a permanent feature.

It seems that the CBI has become aware of the very special circumstances requiring efficient companies to operate with a "core" team augmented by part-time and temporary staff, not least at senior executive level. As soon as its executive-temping scheme was launched, in conjunction with Inbucon, in January of this year, Mr Lederer says that "over 30 new enquiries from private and public sector organisations all over the UK" were received in the first month.

Inbucon's register of temporary executives now exceeds 1,000 and, to any doubting Thomas with reservations about the calibre of the candidates in question, Inbucon's Ray Smith says: "Contrary to popular belief, temporary executives are not all retired directors or redundant managers seeking part-time or stop-gap work until they find a permanent appointment.

A growing number of "high-fliers" and managers in mid-career are choosing the self-employed route, as temporary executives or project managers, in preference to employee status. They are attracted by the independence, the variety of challenges and the good rewards for success."

What was an occasional Inbucon service—often provided as an adjunct to a major assignment, or to "help an old friend," is now rapidly developing, according to Mr Lederer, "into an important support activity to industry, commerce and the public sector."

He reckons that the temporary executive is now accepted by many organisations "as normal" and some use him, he says, "as a matter of course whenever there is a need to augment their top team or there is a discrete project which needs active management—the temporary executive is no longer a rarity."

Bob Crew

Training

CONTINUED FROM PREVIOUS PAGE

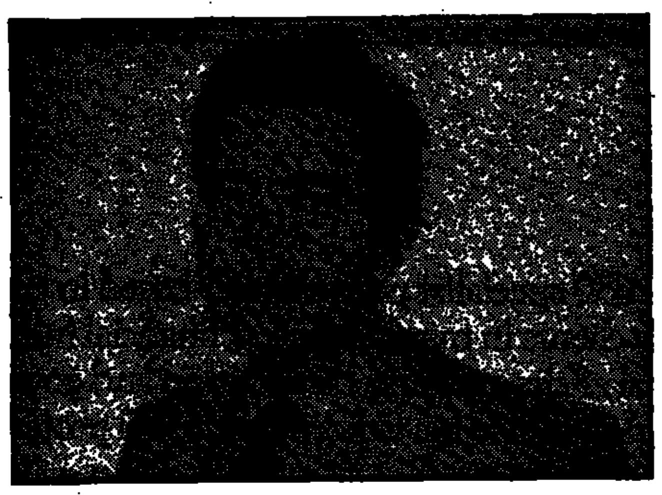
persuading the client that its problem fits some "solution" which the consultants have available off the peg.

Another reason is that, although consultants may chime well with company top executives in taking the same broad and sweeping view of management affairs, the broad and sweeping view can often entirely overlook obstacles that stand out like mountains to staff observers in the company ranks below.

Internal specialists are surely more likely than consultants to have the detailed knowledge to spot the particular features of the organisation that will prevent a scheme from working, even though it has the enthusiastic approval of their superiors on the board.

In such cases, too, the internal staff will probably have a stronger incentive than outsiders with other clients on their books to risk high-ranking wrath by opposing the scheme concerned. For one thing almost all experienced inside specialists have learned is that, while top management rarely gives them the credit when some action in their area of expertise goes well, they can always be sure of getting the blame if it flops.

Michael Dixon



Mr Derek Torrington of the University of Manchester Institute of Science and Technology. The main conclusion of a joint study he carried out with Ms Lesley Mackay, which surveyed 350 employing organisations, was that the use of consultants "is substantial and increasing."

U.S. Trends

Accountants find lucrative pastures

WITH A THIRD to a half of their business going to accounting firms, American management consultants are concerned about increasing competition, despite a 16 per cent growth in last year's revenues to $4bn, in figures compiled by ACME, the association of management consulting firms.

ACME president, Joseph J. Brady, notes that the "better quality firms have enjoyed a rate of growth in excess of 25 per cent," though the advances have been selective and "the middle-sized generalist firms may find themselves in trouble, while the boutiques and the giants should forge ahead."

Mr James L. Kennedy, editor and publisher of Consulting News, the confidential newsletter of the consulting profession, points out that ten in the recently compiled list of the top 30 management consulting firms are accountants. An accounting firm, Arthur Andersen, is first in the Consulting News list, with revenues of $477m, while the traditional, probably best-known consulting firm, McKinsey and Co is second with $350m in billings.

The competition from accountants is bound to continue, if not increase, since accountants' consulting business, called Management Advisory Services (MAS), have been growing at a 33 per cent rate, compared to less than 15 per cent for their auditing services, making accountants all the more willing to find new niches for their MAS activities.

Accountants are going into fields like executive recruiting, public relations and even, for Laventhol and Horwath (taking advantage of an accounting specialty in hotels), designing hotel interiors. Arthur Andersen exploited cross-marketing opportunities between consulting and auditing when it hired 600 engineers to widen its services for clients.

The engineers conducted a plant study that showed the Pettibone Corporation how to improve factory set-up time for its largest plant in Chicago. Though separately contracted, the plant study won Andersen the audit account to replace another firm Pettibone had used for four decades.

Accountants are leading the way in installing price competition in a field that long resisted it. Mone than 80 per cent of the MAS departments of accountancy practices do "value billing," the euphemism for flat rather than hourly fees, and most see it as an increasing trend, though only 10 per cent admit to doing it regularly, discovered Doty Jarrow and Co, a firm of Chicago accountants, in a recent survey.

Management consultants have responded to the challenge with mergers and greater specialisation to carve out a unique niche in an increasingly crowded marketplace. Generalist firms are being replaced by specialist firms, or growing into multi-specialist firms.

The trend results in part from the fall of the corporate strategists, whose appealingly simple charts with stars, cows, dogs and question marks gave general consultants great popularity in the 1970s. Management consultants were the major recruiters at business schools, making the field look particularly exciting just because the generalists' formulas could be applied by fresh-faced graduates.

But while the formulas helped categorise corporate assets and broaden managers' horizons to think about the marketplace, implementation fell below 10 per cent because it defied easy application, an impracticality that undermined the conceptual allure.

The originator of the field, Boston Consulting Group, did less business last year than one of its offshoots, Bain, which emphasised a more practical service.

Specialists have come to the fore as clients have become more sophisticated, demanding specific services. "They are not looking for the psychotherapist approach," says Mr Ed Hendricks, vice-president of ACME. Mr Kennedy notices that "although management consultancy is an inexact science that is still in the process of evolving, there is a trend toward technological studies that are fact driven and more scientific."

Top management most often commissions management consultants (35 per cent, according to an ACME survey of clients), but managers, divisional managers and operational areas, constitute 44 per cent of requests for consultants.

One of the top specialist areas is benefits and actuarial services, which has catapulted Towers, Perrin, Forster & Crosby to the top ranks of management consultants—indeed, the largest, by their own calculation. Towers, Perrin's total compensation, actuarial and internal communications consulting services account for $250m of its $360m consulting revenues, while its Tillinghast division which specialises in services for insurance companies brought in $60m and its smallest division, general consultants Cresap, McCormick and Paget, had income of $50m.

The firm's acquisitions, which included most recently the general consultants Hayes/Hill, are meant to "achieve market leadership in a number of areas," says company president Mr James E. Kielley. "We are deepening within existing specialities to enhance not dilute ourselves."

Companies that join Towers, Perrin take advantage of the economies of scale being offered by the larger firm. Mr Kielley finds that "clients probe closely to see the resources behind the consultant," for whom databases, computerised systems and technical expertise are a must.

The consultant is increasingly forced to prove his worth since, according to Mr Kielley, "the primary competition for all consultants comes from the client himself." The more sophisticated internal resources of many companies force the consultant into greater specialisation, like compensation and pensions, areas where government regulation, tax laws and actuarial tables become more complicated and changeable than most companies can keep up with by using their own personnel.

Where consultant services were once bought by the client, they are increasingly being sold by the consultant. A. T. Kearny, a 60-year-old firm specialising in streamlining internal operations, does "pull" marketing and "push" marketing, while thinking up new specialties. Pull marketing, according to Dr Marvin Schiller, includes white papers and briefing papers, speeches, articles and reprints on such subjects as becoming the low-cost supplier, strategic resources management and organisational effectiveness.

Push marketing has a large component of taking a chief executive out to lunch to explain how the firm's skills fit with the client's needs.

All management consultants seem extraordinarily market and image conscious. Their New York offices are in the newest, flashiest buildings (alongside a high proportion of law offices). ACME presents a regional seminar on the subject: "Making Salesmen Out of Your Consultants."

A small market-focused strategic consulting firm like Management Practice Consulting Partners puts out a quarterly magazine with articles of general interest on "Avoiding the Slash-and-Burn Approach to Overhead Reduction," "Survival Lessons from a Division General Manager" and "Ten Operating Principles of Overhead Value Analysis." It can boast a high proportion of partner contact with clients and has done work for some of the largest banks and corporations, sometimes by co-ordinating the work of a number of specialists.

A. T. Kearny, which Dr Schiller explained *did* a study ten years ago on the future of management consultants and where the firm should position itself, is making a good offence the best defence. It is developing specialties in areas like product-liability practice, where lawyers have been active, and transfer pricing, a field accountants have called their own, to provide niches in which the firm can specialise and challenge other professions as much as the management consultants are being challenged by them.

Frank Lipsius

TOP 20 US FIRMS

"Best estimates" of 1985 worldwide professional revenues

Worldwide	Revenues ($m)	% overseas	No. of professionals	US only
1. Arthur Andersen	477	26	6450	1. Arthur Andersen
2. McKinsey & Co	350	50	1250	2. Towers Perrin Forster
3. Towers Perrin Forster & Co	305	10	2300	3. Booz-Allen & Hamilton
4. Price Waterhouse	280	50	3600	4. Mercer-Meidinger
5. Booz-Allen & Hamilton	260	8	1850	5. Wyatt
6. Mercer-Meidinger	254	15	1500	6. Peat Marwick Mitchell
7. Peat Marwick Mitchell	240	27	2900	6. McKinsey & Co
8. Coopers & Lybrand	201	35	3000	8. Price Waterhouse
8. Wyatt	201	6	1400	9. Ernst & Whinney
10. Ernst & Whinney	188	27	2125	10. Coopers & Lybrand
11. Arthur Young	175	40	2300	11. Johnson & Higgins
12. Hay Group	142	55	1050	12. Arthur Young
13. Touche Ross	140	40	1850	13. Touche Ross
14. Alexander Proudfoot	120	60	1100	14. Hewitt Assoc
15. Johnson & Higgins	118	10	900	15. Bain
16. Human Resource Mgmt (A&A)	105	33	1000	16. Buck Consultants
17. Bain	100	10	600	17. Human Resource Mgmnt (A&A)
18. Hewitt Assoc	97	2	900	18. Arthur D. Little
19. Arthur D. Little	90	25	650	19. Hay Group
20. Deloitte Haskins & Sells	78	30	1150	20. Science Mgmt

Consultants News

User Guide

Best results based on a partnership

"DON'T USE them under any circumstances. Not even to keep your stockholders and directors quiet. It isn't worth it." These harsh words — perhaps only slightly tongue-in-cheek—about management consultants came from Robert Townsend in his book "Further Up the Organisation."

"They waste time, cost money, demoralise and distract your best people, and don't solve problems," he adds. "They are people who borrow your watch to tell you what time it is and then walk off with it."

Any company that has used management consultants will probably recognise a grain of truth in Mr Townsend's comments. But, equally, there are many more corporations which swear by management consultants as the best thing that ever happened to them.

The truth, of course, is probably somewhere in between the two extremes. Management consultants *do* provide a much needed resource for British industry; equally, many companies fail to get the best use out of their consultants.

"Many mistakes are made by trying to cut corners on costs and not going for quality consultants who can demonstrate they have achieved success in similar situations before," points out Mr Keith Stein, Arthur Young's national managing consulting partner. "The best consulting jobs are those where there is a partnership between the client and consultant."

Initially, the first question that companies or organisations should ask is: why do we need to use an outside management consultant?

There are three main reasons for using a management consultancy. Firstly, they can provide specialist skills, techniques, and experience which may not be available within the company. Secondly, they enable companies to augment their resources when carrying out particular programmes for change.

Thirdly, and perhaps most importantly, they provide an independent, outside view of a company's needs, aspirations, and problems. It is the failure of internal corporate management to see the proverbial "wood for the trees" which has spurred on the growth of the consultancy business over the past decade.

Carrying out an initial analysis of the need for employing consultants is not a waste of time: if the decision is to go ahead with using consultants, then an initial brief will be needed; if not, then the analysis will have proved that the company has sufficient resources to tackle its own problems.

The Civil Service's Management and Personnel Office, in a useful guide to Whitehall departments on employing management consultants, points out that it is unwise to "assume that an outside consultant is familiar with your department's practices, shorthand, or jargon."

It lists the essential information for a background brief for consultants which includes basic organisational information such as costs, hierarchy, and staffing; provisional terms of reference that are "brief, specific, and comprehensive," and an outline of the broad approach expected and an estimated timetable.

Having decided to employ a consultant companies can expect to go through a four-stage programme in their search for the best consultant for their purposes.

Stage one involves drawing up an initial list of potential consultancies, tapping the experience of others in the company who may have used a consultant, checking whether or not they belong to relevant trade or professional associations. It is also useful to establish with several consultancies—usually simply by telephone—whether or not they meet the initial parameters (cost, etc) and have the relevant experience.

Stage two involves drawing up criteria against which to assess those consultancies on the short list, which need be no more than three consultants. After an initial meeting to discuss the assignment, the short-listed consultancies should be invited to put forward detailed proposals.

Appraising these proposals is stage three of the process. Evaluate the proposals in detail in the light of the terms of reference. Ensure that those who would actually be handling the assignment are there to answer questions, such as what happens when things go wrong (as they invariably do).

Stage four is agreeing fees—establishing exactly what is covered—and responsibility for direct expenses. An agreed contract needs to be drawn up at this stage to cover all aspects of the consultancy work.

Even after choosing a consultant, it is important to monitor progress to secure best results. An executive from the client company should be the project officer to act as the liason with the consultants as well as to monitor progress.

Monitoring includes interim reports at key stages of the project and establishing a system to deal with delays or difficulties. The Whitehall guide to consultancy use observes at this stage that this monitoring "may seem a substantial duplication of what you might expect the consultant to do but the consultant's control process is designed to meet his needs which may not be yours."

"Getting the best use out of a management consultant is a skill in its *own* right. "It is essential that the client should speak frankly about his problems, and 'unburden' himself on the consultant." points out Mr Stein from Arthur Young.

One important point to remember is that the consultant's time does not come cheap. A half-hour chat about golf may be interesting but just remember that it will also be costing you money.

After the consultant's report is completed — which should not come as a surprise but as the culmination of previously agreed work — it is important to review the project to discuss how the work went. 'Be open with consultants," urges the Whitehall guide.

Finally, bear in mind Robert Townsend's comments about the effect of the threat: "If you fellows don't get shaped up in thirty days so you're a credit to the rest of the company. I'm going to call in McKinsey."

David Churchill